

SOUTH WILLIAMSPORT AREA SCHOOL DISTRICT  
LYCOMING COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2010



The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. John Engel, Jr., Board President  
South Williamsport Area School District  
515 West Central Avenue  
South Williamsport, Pennsylvania 17702

Dear Governor Rendell and Mr. Engel:

We conducted a performance audit of the South Williamsport Area School District (SWASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 31, 2008 through June 7, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the SWASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 5, 2010

cc: **SOUTH WILLIAMSPORT AREA SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the South Williamsport Area School District (SWASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SWASD in response to our prior audit recommendations.

Our audit scope covered the period July 31, 2008 through June 7, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

### **District Background**

The SWASD encompasses approximately 36 square miles. According to 2000 federal census data, it serves a resident population of 9,400. According to District officials, in school year 2007-08 the SWASD provided basic educational services to 1,370 pupils through the employment of 103 teachers, 68 full-time and part-time support personnel, and 9 administrators. Lastly, the SWASD received more than \$8 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the SWASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the SWASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SWASD had taken appropriate corrective action in implementing our recommendations pertaining to their Memorandum of Understanding (see page 7).





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period July 31, 2008 through June 7, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the SWASD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

SWASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications and professional employee certification.
- Items such as Board meeting minutes.

Additionally, we interviewed selected administrators and support personnel associated with SWASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2009, we performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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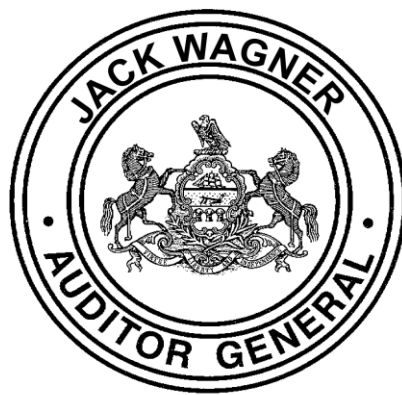
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**F**or the audited period, our audit of the South Williamsport Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the South Williamsport Area School District (SWASD) for the school years 2005-06 and 2004-05 resulted in an observation. The observation pertained to their Memorandum of Understanding. As part of our current audit, we determined the status of corrective action taken by the SWASD to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the SWASD did implement recommendations related to their Memorandum of Understanding.

| <i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>   |  |   |
|--|--|---|
| <i>Prior Recommendations</i>   | <i>Implementation Status</i>   |   |
| <p><u>I. Observation:</u><br/><u>Memorandum of Understanding Not Updated Timely</u></p> <ol style="list-style-type: none"> <li>1. In consultation with the solicitor, review, update and re-execute the current Memorandum of Understanding (MOU) between the District and the South Williamsport Borough of Police.</li> <li>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years..</li> </ol> | <p><b>Background:</b></p> <p>Our prior audit of the District's records found that the current MOU between the District and the South Williamsport Borough of Police was signed May 9, 2005 and has not been updated.</p> | <p><b>Current Status:</b></p> <p>We followed up on the SWASD'S MOU and found that the SWASD did take corrective action to address the recommendations in our prior audit report by updating their MOU on September 1, 2009.</p> |



## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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| The Honorable Edward G. Rendell<br>Governor<br>Commonwealth of Pennsylvania<br>Harrisburg, PA 17120  | Ms. Barbara Nelson<br>Director, Bureau of Budget and<br>Fiscal Management<br>Department of Education<br>4th Floor, 333 Market Street<br>Harrisburg, PA 17126 |
| The Honorable Thomas E. Gluck<br>Acting Secretary of Education<br>1010 Harristown Building #2<br>333 Market Street<br>Harrisburg, PA 17126 | Dr. David Wazeter<br>Research Manager<br>Pennsylvania State Education Association<br>400 North Third Street - Box 1724<br>Harrisburg, PA 17105               |
| The Honorable Robert M. McCord<br>State Treasurer<br>Room 129 - Finance Building<br>Harrisburg, PA 17120                                   | Dr. David Davare<br>Director of Research Services<br>Pennsylvania School Boards Association<br>P.O. Box 2042<br>Mechanicsburg, PA 17055                      |
| Senator Jeffrey Piccola<br>Chair<br>Senate Education Committee<br>173 Main Capitol Building<br>Harrisburg, PA 17120                        |  |
| Senator Andrew Dinniman<br>Democratic Chair<br>Senate Education Committee<br>183 Main Capitol Building<br>Harrisburg, PA 17120             |  |
| Representative James Roebuck<br>Chair<br>House Education Committee<br>208 Irvis Office Building<br>Harrisburg, PA 17120                    |  |
| Representative Paul Clymer<br>Republican Chair<br>House Education Committee<br>216 Ryan Office Building<br>Harrisburg, PA 17120            |  |

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