

WELLSBORO AREA SCHOOL DISTRICT  
TIOGA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2013





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Craig West, Board President  
Wellsboro Area School District  
227 Nichols Street  
Wellsboro, Pennsylvania 16901

Dear Governor Corbett and Mr. West:

We conducted a performance audit of the Wellsboro Area School District (WASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 16, 2009 through January 5, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with WASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WASD's cooperation during the conduct of the audit.

Sincerely,

/s/  
JACK WAGNER  
Auditor General

January 14, 2013

cc: **WELLSBORO 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 Wellsboro Area School District (WASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WASD in response to our prior audit recommendations.

Our audit scope covered the period October 16, 2009 through January 5, 2012, 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 2009-10 and 2008-09.

### **District Background**

The WASD encompasses approximately 330 square miles. According to 2000 federal census data, it serves a resident population of 11,689. According to District officials, in school year 2009-10 the WASD provided basic educational services to 1,531 pupils through the employment of 133 teachers, 94 full-time and part-time support personnel, and 10 administrators. Lastly, the WASD received more than \$8.5 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedure, except for one compliance-related matter reported as a finding.

**Finding: Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement.** Our audit of the WASD's pupil membership reports submitted to the Pennsylvania Department of Education for the 2008-09 school year found reporting errors as well as a lack of internal controls (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the WASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found that the WASD had taken appropriate corrective action in implementing our recommendations pertaining to their student accounting applications (see page 8).





## 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 October 16, 2009 through January 5, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through September 14, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the WASD's compliance with applicable state laws, 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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's board members free from apparent conflicts of interest?
- ✓ 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, 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

WASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the WASD's response to PDE dated September 3, 2010. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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#### **Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement**

*Criteria relevant to the finding:*

Resident, nonresident and vocational education membership data must be maintained in accordance with DE guidelines and instructions, since they are major factors in determining the district's subsidies and reimbursements.

Our audit of the Wellsboro Area School District's (WASD) pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2008-09 school year found reporting errors as well as a lack of internal controls. District personnel inaccurately reported the membership for children placed in institutions. The lack of internal controls resulted in District personnel failing to reconcile preliminary data reports from PDE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days for secondary students placed in institutions were understated 272 days. The error resulted in the District being underpaid \$13,893.

The errors were due to District personnel's incorrect input of data into the Child Accounting Data System. The default options of the system overlooked data of two students and did not include membership days in the totals reported to PDE.

PDE has been provided a report detailing the errors for use in recalculating the District's reimbursement.

Membership reported in the Pennsylvania Information Management System was correctly reported for the 2009-10 school year.

### Recommendations

The *Wellsboro Area School District* should:

1. Establish internal controls that include reconciliations of the data that is sent to PDE.
2. Verify that the Preliminary Reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the Final Reports from PDE are correct.

The *Pennsylvania Department of Education* should:

3. Revise all reports that have been incorrectly completed and adjust the District's reimbursements.

**Management Response**

Management stated the following:

The finding identified involves two student's 2008-09 membership totals not being included in the Wellsboro School District's 2008-09 Child Accounting Report – PDE-4602.

The Wellsboro School District used the Central Susquehanna Intermediate Unit #16 (CSIU) Attendance Software for tracking its pupil membership for the 2008-09 fiscal year. Both students identified were Wards of the Court and both students were coded as Wards of the Court in attendance software, but their membership days were not included in the end of the year child accounting reports. The District has several other students who are identified as Wards of the Court whose membership days were included in the PDE-4602 report.

Administration has consulted the CSIU Technology Department, making aware of the omissions on the PDE-4602. Members of CSIU's Technology Department were unable to identify why these membership days were not included in the PDE-4602 report for the 2008-09 fiscal year.

Effective with the 2009-10 fiscal year, the District discontinued the use of CSIU Child Accounting/Attendance Software and is currently using [another software] for pupil membership tracking and reporting.

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

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Our prior audit of the Wellsboro Area School District (WASD) for the school years 2007-08 and 2006-07 resulted in one observation. The observation pertained to their student accounting applications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the WASD Superintendent's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the WASD did implement some but not all recommendations related to their student accounting applications.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Observation:**            **Unmonitored IU System Access and Logical Access Control Weaknesses**

Observation

Summary:            Our prior audit found that risk exists that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that they are adequately monitoring all intermediate unit (IU) activity in their system.

Recommendations:    Our audit observation recommended that the WASD:

1. Ensure that District's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
2. Establish separate information technology (IT) policies and procedures for controlling the activities of the IU/consultants and have the IU sign this policy, or the District should require the IU to sign the District's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Implement a security policy and system parameter settings to require all users, including the IU, to use passwords that are a minimum length of eight characters.

6. Require the IU to assign unique userIDs and passwords to IU employees authorized to access the District system. Further, the District should obtain a list of IU employees with access to its data and ensure that changes to the data are made only by authorized IU representatives.

Current Status:

During our current audit procedures we found that the WASD did implement the recommendations 1, 2, 5 and 6. WASD did not complete the implementation of recommendations 3 and 4. Therefore, we continue to recommend that WASD implement recommendations 3 and 4.

The IU is no longer supplying the software for their student accounting applications.





## **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:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

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