

WEST CHESTER AREA SCHOOL DISTRICT
CHESTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2010

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

Mr. Jeffrey T. Seagraves, Board President
West Chester Area School District
829 Paoli Pike
West Chester, Pennsylvania 19380

Dear Governor Rendell and Mr. Seagraves:

We conducted a performance audit of the West Chester Area School District (WCASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 24, 2006 through August 3, 2009, 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, 2007, 2006 and 2005. 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 WCASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 31, 2010

cc: **WEST CHESTER AREA SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the West Chester Area School District (WCASD). 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 WCASD in response to our prior audit recommendations.

Our audit scope covered the period February 24, 2006 through August 3, 2009, 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, 2007-06, 2005-06 and 2004-05.

District Background

The WCASD encompasses approximately 75 square miles. According to 2006 local census data, it serves a resident population of 105,756. According to District officials, in school year 2007-08 the WCASD provided basic educational services to 11,667 pupils through the employment of 954 teachers, 463 full-time and part-time support personnel, and 57 administrators. Lastly, the WCASD received more than \$27.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WCASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: School Violence Memoranda of Understanding Not Updated Timely.

Our audit of WCASD's records found that the current Memoranda of Understanding between WCASD and two of three local law enforcement agencies have not been updated within the last two years (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the WCASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the WCASD had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 8) and internal control weaknesses regarding bus driver' qualifications (see page 9).



Audit Scope, Objectives, and Methodology

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 February 24, 2006 through August 3, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 (DE) 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 WCASD'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:

- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

WCASD 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.

Our audit examined the following:

- Records pertaining to bus driver qualifications, and financial stability.
- Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 11, 2006, we reviewed WCASD's response to DE dated January 22, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

School Violence Memoranda of Understanding Not Updated Timely

Criteria relevant to the observation:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, a Basic Educational Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU to be used by school entities. Section VI, General Provisions item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our audit of West Chester School District's (WCASD) records found that the current Memoranda of Understanding (MOU) between WCASD and two of three local law enforcement agencies had not been updated within the last two years, as of our fieldwork completion date of August 3, 2009.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between WCASD employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *West Chester Area School District* should:

1. In consultation with the District's solicitor, review, update and re-execute the current MOUs between the District and its local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Response of Management

Management stated the following:

The District and local law enforcement agencies were struggling to finalize the Memorandum of Understandings language that both parties could accept. A meeting was held with Asst. Superintendent . . . [and] the Chief of Police . . . on December 10, 2009 to finalize the language. Both parties agreed to changes which are currently being finalized for resubmission to the Municipalities for final review and execution. Anticipate all Municipal Police Departments will have executed MOU's by January 1, 2010.

Status of Prior Audit Findings and Observations

Our prior audit of the West Chester School District (WCASD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one reported observation. The finding pertained to certification deficiencies and the observation pertained to internal control weaknesses regarding bus drivers' qualifications. 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 WCASD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the WCASD did implement recommendations related to the certification deficiencies and the internal control weaknesses regarding bus drivers' qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Deficiencies</i></u></p> <ol style="list-style-type: none"> 1. Take the necessary action required to ensure compliance with certification regulations. 2. Establish a review process that ensures that certificates do not lapse. 3. Apply for any necessary emergency certificates prior to the beginning of the school year to ensure they are received in a timely manner 4. DE should take action to recover the appropriate subsidy forfeiture. 	<p>Background:</p> <p>Our prior audit found that four professional employees were employed without the appropriate certificates for their assignments.</p>	<p>Current Status:</p> <p>Our current audit found that as of April 2006 all four individuals previously cited received the appropriate emergency, temporary or permanent certification.</p> <p>Additionally, on December 28, 2006, DE withheld a subsidy forfeiture of \$9,633 to resolve this finding.</p>

<p><u>II. Observation: Internal Control Weaknesses Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none">1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractor(s) have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.	<p>Background:</p> <p>Our prior audit found that neither the District nor the District's transportation contractors had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that the District complied with our prior recommendations by requiring in the transportation contracts that as of July 1, 2006, contractors will do an annual criminal history clearance for all drivers and require their drivers to advise their supervisor of any arrest for criminal activity within 48 hours of occurrence. These requirements are listed in the Employee Policy Manual.</p>
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Distribution List

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

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