



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

OCTOBER 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Vincent Murphy, Board President
West Chester Area School District
829 Paoli Pike
West Chester, Pennsylvania 19380

Dear Governor Corbett and Mr. Murphy:

We conducted a performance audit of the West Chester Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period August 3, 2009 through May 24, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements, except as detailed in one finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

On January 4, 2012, the Department of the Auditor General (Department) initiated a special audit of the details surrounding the retirement of the former Superintendent on March 1, 2009. This performance audit covered the period July 1, 2005 through March 1, 2009, and was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. This performance audit was separate and distinct from the District's cyclical performance audit, which was conducted simultaneously and the results of which are described in following pages of the audit report. The Department conducts its cyclical performance audits approximately every two years.

The Department's special audit of the retirement of the former Superintendent found that the District complied, in all significant respects, with the applicable state laws, contracts, and administrative procedures related to our specific audit objectives. However, the Department still strongly recommends that the Commonwealth's local education agencies try to avoid prematurely altering the employment of their contracted employees. Our audit work has shown that engaging in such changes frequently leads to the inappropriate and/or inefficient use of taxpayer dollars. Consequently, we will continue to monitor these issues.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE
Auditor General

October 24, 2013

cc: **WEST CHESTER AREA SCHOOL DISTRICT** Board of School Directors

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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 (District). Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period August 3, 2009 through May 24, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for school years 2009-10 and 2008-09.

District Background

The District encompasses approximately 75 square miles. According to 2010 federal census data, it serves a resident population of 108,621. According to District officials, in school year 2009-10 the District provided basic educational services to 11,810 pupils through the employment of 946 teachers, 480 full-time and part-time support personnel, and 60 administrators. Lastly, the District received more than \$28.9 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance related matter reported as a finding.

Finding: Certification Deficiencies. Our review of the West Chester Area School District's professional employees' certification for the period August 4, 2009 through March 28, 2012, found nine professional employees teaching without proper certification (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the West Chester Area School District (District) from an audit released on August 31, 2010, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to Memoranda of Understanding that had not been updated timely (see page 8).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 August 3, 2009 through May 24, 2013, except for the verification of professional employee certification which was performed for the period August 4, 2009 through March 28, 2012.

Regarding state subsidies 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 District's compliance with certain relevant 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?
- ✓ In areas where the District receives state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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?
- ✓ Did the District take 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 of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursement, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, superintendent early retirement and financial stability.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 31, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC), 24 P.S. § 12-1202 provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

Section 2518 of the PSC, 24 P.S. 25-2518, provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Certification Deficiencies

Our review of the West Chester Area School District’s (District) professional employees’ certification for the period August 4, 2009 through March 28, 2012, found nine professional employees were teaching with lapsed certificates. These nine professional employees served in positions of elementary guidance counselor, biology teacher, speech correction teacher, special education teacher, physics teacher, English teacher, elementary teachers, and secondary guidance counselor.

Information pertaining to the possible deficiencies was submitted to the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality (BSLTQ). On July 24, 2013, BSLTQ confirmed the deficiencies. The District is therefore subject to subsidy forfeitures attributable to the 2009-10 through the 2011-12 school years of \$78,767.

School Year	Subsidy Forfeiture
2011-12	\$32,867
2010-11	35,700
2009-10	<u>10,200</u>
Total:	\$78,767

The certification deficiencies were due to District personnel failing to ensure up-to-date employee certifications were maintained by professional employees.

In addition to the loss of funds and non-compliance with the Public School Code, failing to employ properly certified teachers can reduce the quality of the District’s educational services.

Recommendations

The *West Chester Area School District* should:

1. Take the necessary action required to ensure compliance with certification regulations.

2. Implement procedures to track years of service for all individuals who are not permanently certified.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to assess the appropriate subsidy forfeitures.

Management Response

Management stated the following:

“Previous to the audit, our certification tracking protocols were deficient. We have more the 900 certified professionals that we monitor. Prior to the audit findings, we were monitoring certificates manually. Of the nine (9) findings, eight (8) of the certification issues were due to paperwork not being filed with PDE. All coursework and requirements were approved and completed. The other professional was placed on unpaid leave until the requirements were met. We now use technology to closely monitor certification requirements. These procedures are checked on a weekly basis by the Human Resources Department. Employees nearing the end of their level 1 certification time constraint are notified of their responsibilities beginning with the 18th month before their certification expires. Attached is the process we use to monitor our certifications of our employees. [The new procedures provided by management were removed.]”

Auditor Conclusion

We commend the District for making an effort to improve its process for verifying professional staff certification. We will evaluate the District's new procedures during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the West Chester Area School District (District), released on August 31, 2010, resulted in one matter unrelated to compliance that was reported as an observation. The observation pertained to Memoranda of Understanding with local law enforcement agencies that were not being updated timely. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior observation. As shown below, we found that the District did implement our recommendations related to the untimely Memoranda of Understanding.

Auditor General Performance Audit Report Released on August 31, 2010

Observation: **Memoranda of Understanding Not Updated Timely**

Observation
Summary:

Our prior audit of the District's records found that the Memoranda of Understanding (MOU) between the District and two of three local law enforcement agencies had not been updated within the last two years.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District 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: Our audit observation recommended that the District:

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.

Current Status:

During our current audit, we found that the District did implement our recommendations as of December 2010 and January 2011. The District obtained an MOU between itself and its local law enforcement agencies, which states in part:

“[T]he MOU 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 execution and every two years thereafter.”

The District re-executed an MOU with all local law enforcement agencies dated June 2011. In addition, the District’s Board of School Directors (Board) has adopted an official Board policy requiring the District to review and re-execute the MOUs every two years.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
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This report is a matter of public record and is available online at www.auditor.gen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditor.gen.state.pa.us.