

WEST MIDDLESEX AREA SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. Tracy C. Hemminger, Board President
West Middlesex Area School District
3591 Sharon Road
West Middlesex, Pennsylvania 16159

Dear Governor Corbett and Mr. Hemminger:

We conducted a performance audit of the West Middlesex Area School District (WMASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 9, 2009 through October 5, 2011, 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 WMASD 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 WMASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WMASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WMASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

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

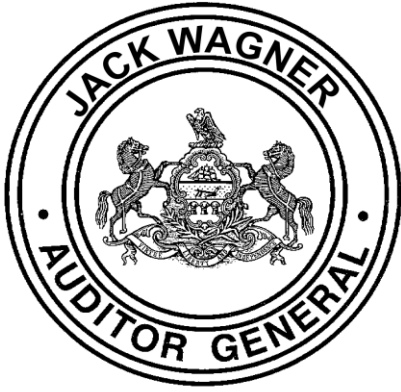


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Executive Summary

Audit Work

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

Our audit scope covered the period December 9, 2009 through October 5, 2011, 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 WMASD encompasses approximately 52 square miles. According to 2010 local census data, it serves a resident population of 7,454. According to District officials, in school year 2009-10 the WMASD provided basic educational services to 1,123 pupils through the employment of 87 teachers, 76 full-time and part-time support personnel, and 6 administrators. Lastly, the WMASD received more than \$7.1 million in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding: Internal Control Weaknesses and Lack of Documentation Supporting Pupil Transportation Reimbursements.

Our audit of the WMASD's pupil transportation records and the reports submitted to the Department of Education for the 2009-10 and 2008-09 school years found internal control weaknesses and a lack of supporting documentation for reimbursements of \$411,404 and \$328,189, respectively (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the WMASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the WMASD had not taken appropriate corrective action in implementing our recommendations pertaining to the internal control weaknesses and lack of documentation supporting pupil transportation reimbursement (see page 9). WMASD had taken partial corrective action in implementing our recommendations pertaining to errors and internal control weaknesses pertaining to tuition and charter school billings (see page 10).



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 December 9, 2009 through October 5, 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 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 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 WMASD'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?

- ✓ 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 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, 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, observations and conclusions based on our audit objectives.

WMASD 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.

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, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weaknesses and Lack of Documentation Supporting Pupil Transportation Reimbursements

Criteria relevant to the finding:

Chapter 23 of the State Board of Education Regulations, Section 23.4 provides, in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including the following: . . .

(5) The furnishing of rosters of pupils to be transported on each school bus run and trip.

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils' distances from home to pertinent school bus loading zones.

In addition, Section 518 of the Public School Code required retention of these records for a period of not less than six years.

Instructions for completing DE's End-of-Year Pupil Transportation reports provides that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle. Additionally, the instructions provide that procedure, information and data used by the LEA should be retained for audit purpose.

Our audit of the District's pupil transportation records and the reports submitted to the Department of Education (DE) for the 2009-10 and 2008-09 school years, found internal control weaknesses and a lack of supporting documentation for reimbursements of \$411,404 and \$328,189.

This is a continuation of a finding in our prior audit report (see page 9).

The internal control weaknesses and lack of supporting documentation for pupil transportation data reported to DE for the 2009-10 and 2008-09 school years were as follows:

- Board approved bus routes did not include pupil rosters, stop-by-stop mileage or total mileage with and without students.
- The mileage reports provided for audit identified odometer readings at the beginning of a run, first pick-up, last drop-off and the end of the run only, and failed to identify the pupils' distances from home to school.
- For both years of audit, District personnel failed to retain back-up documentation to support bus route mileage changes and the necessary pupil rosters to support the greatest number of pupils assigned to each bus as recorded on the District's weighted average calculation worksheets.
- No documentation was available to support students that entered, withdrew, or relocated within the District during the school year. The only pupil rosters available for audit were the end of school year listing for each bus. No other supporting documentation was retained for audit verification.
- In the 2009-10 school year, our audit found an insignificant clerical error in the reporting of nonpublic

pupils. District personnel understated by three the number of nonpublic pupils transported, according to available documentation. The District's transportation supervisor could not explain the difference or provide documentation in support of the number the District reported. In addition, the District did not have any documentation from the nonpublic schools to support their request for pupil transportation services.

- District pupil transportation personnel were unable to provide any documentation supporting the reported total annual miles for district-owned buses for each school year.

The lack of supporting documentation and internal control weaknesses were the result of District personnel failing to prepare and retain necessary documentation in support of the data reported to DE.

Daily mileage, the number of pupils transported, the number of nonpublic pupils transported and the total annual miles driven by district-owned buses are all integral parts of the pupil transportation reimbursement formula and must be maintained in accordance with the State Board of Education regulations and DE guidelines and instructions.

The failure to prepare and retain detailed pupil transportation mileage and pupil rosters resulted in the auditor not being able to verify that the District received the accurate pupil transportation reimbursements for the two school years under audit.

The District purchased a new software program in the 2009-10 school year that was implemented during the 2010-11 school year. District personnel stated some internal control weaknesses and lack of retention of supporting documentation were noted when completing the 2010-11 school year end-of year reports submitted to DE. The transportation director stated that, beginning with the 2011-12 school year, supporting documentation and internal reviews will be completed. Additionally, he stated that he and his Secretary have attended various training conferences since the 2009-10 school year.

Recommendations

The *West Middlesex Area School District* should:

1. Conduct an internal review to ensure the daily mileage, pupil count, hazardous pupils, total annual miles driven by district-owned buses and nonpublic pupils are accurately recorded and reported to DE.
2. Prepare and retain on file at the District source documentation used to report pupil transportation data to DE, including the number of nonpublic pupils transported, the weighted averaging for pupils that enter, withdraw or relocate within the District, hazardous pupils transported, the total annual miles driven and when bus route mileages change.
3. Prepare and maintain records on file, of odometer readings between all bus stops and school, as required by Chapter 23 regulations.
4. Review transportation reports submitted to DE for subsequent years of audit and ensure the reported information is accurate and supporting documentation is on file to support all data reported for each bus.
5. Continue to allow the District's transportation supervisor and the administrative support staff to attend conferences and training sessions relating to pupil transportation reporting and recordkeeping requirements.

Management Response

Management provided a response agreeing with the finding and further stating that the issue has been corrected for later years.

Status of Prior Audit Findings and Observations

Our prior audit of the West Middlesex Area School District (WMASD) for the school years 2007-08 and 2006-07 resulted in two reported findings. The first finding pertained to the lack of internal controls in the reporting of transportation data, and the second finding pertained to the lack of internal controls regarding tuition and charter school billings. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and questioned District personnel regarding the prior findings. As shown below, we found that the WMASD implement three of the six recommendations related to the pupil transportation finding and implemented four of the five recommendations related to the tuition and charter school billings.

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

Finding No. 1: Internal Control Weaknesses and Lack of Documentation Supporting Pupil Transportation Reimbursement

Finding Summary: Our prior audit of the District's pupil transportation records and the reports submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years found internal control weaknesses and a lack of supporting documentation for reimbursements of \$323,403 and \$316,015, respectively.

Recommendations: Our audit finding recommended that the WMASD:

1. Conduct an internal review to ensure daily mileages, pupil counts, hazardous pupils, total annual miles driven by district-owned buses, and nonpublic pupils are accurately recorded and reported to DE.
2. Prepare and retain on file at the District source documentation used to report pupil transportation data to DE, including the number of nonpublic pupils transported, the weighted averaging for pupils that entered during the school year, withdrew, or relocated within the district, the number of pupils transported on hazardous routes, the total annual miles driven, and bus route mileage changes.
3. Prepare and maintain records on file of odometer readings between all bus stops and school, as required by Chapter 23 regulations.
4. Obtain and retain on file at the District routes declared as hazardous by the Pennsylvania Department of Transportation.

5. Review transportation reports submitted to DE for years subsequent to our audit and ensure the reported information is accurate, and that supporting documentation is on file to support all data reported for each bus.
6. Allow the District's transportation supervisor and the administrative support staff to attend conferences and training sessions relating to pupil transportation reporting and recordkeeping requirements.

Current Status: During our current audit procedures we found that the WMASD did not implement the recommendations during the years of our audit, 2009-10 and 2008-09 (see the follow up finding in the current report, page 6).

Finding No. 2: Errors and Internal Control Weaknesses

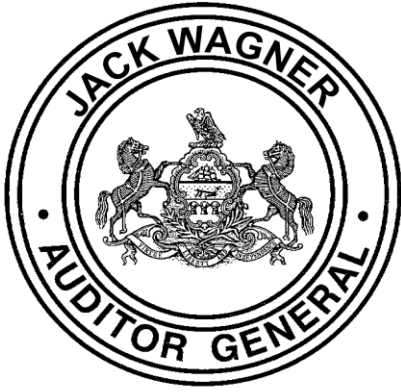
Finding Summary: Our prior audit of tuition records for the 2007-08 school year found errors and internal control weaknesses in the amounts billed two neighboring school districts for nonresident pupils attending district-operated special education programs within the WMASD, as well as a lack of verification of charter school billings for the 2007-08 and 2006-07 school years.

Recommendations: Our audit finding recommended that the WMASD:

1. Establish an internal control review process to ensure that business office personnel are notified of all nonresident students' membership days for tuition billings, and to verify and ensure the accuracy of the tuition rates and membership days included on the invoices prior to the submission of invoices to the neighboring districts.
2. Revise tuition billings for the affected school districts.
3. Include on the invoices the approved daily tuition rate and the number of days of membership a student is being billed for, so neighboring district personnel can also verify the accuracy of the invoices.
4. Review tuition billings for years' subsequent to our years of audit and revise, if necessary.
5. Establish internal control review procedures to ensure charter school billings received are accurate prior to the authorization of payments.

Current Status: During our current audit procedures we found that the WMASD implemented four of the five recommendations. WMASD had not yet revised the billings for the affected school districts.

The new business manager stated that he would implement, during the 2011-12 school year, the remaining recommendation to revise tuition billings for the affected districts.



Distribution List

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

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