

WEST MIFFLIN AREA SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2009

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

Mr. Ned Mervos, Board President
West Mifflin Area School District
3000 Lebanon Church Road, Suite 300
West Mifflin, Pennsylvania 15122

Dear Governor Rendell and Mr. Mervos:

We conducted a performance audit of the West Mifflin Area School District (WMASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 14, 2006 through October 9, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. 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, regulations, 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 and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 14, 2009

cc: **WEST MIFFLIN 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 Mifflin Area School District (WMASD). 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 WMASD in response to our prior audit recommendations.

Our audit scope covered the period July 14, 2006 through October 9, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The WMASD encompasses approximately 15 square miles. According to 2000 federal census data, it serves a resident population of 22,802. According to District officials, in school year 2005-06, the WMASD provided basic educational services to 3,273 pupils through the employment of 199 teachers, 111 full-time and part-time support personnel, and 18 administrators. Lastly, the WMASD received more than \$9.7 million in state funding in school year 2005-06.

Audit Conclusion and Results

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

Finding: Pupil Transportation Discrepancies. Inaccurate pupil transportation data submitted to the Department of Education for 2005-06 school year resulted in a reimbursement underpayment of \$3,465. Also, our review of the 2004-05 school year transportation records found a lack of documentation supporting the nonpublic transportation subsidy of \$142,835 (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 2003-04 and 2002-03 school years, we found the WMASD had not taken complete corrective action in implementing our recommendations pertaining to pupil transportation data (see page 7).

We found the WMASD had taken appropriate corrective action in implementing our recommendations pertaining to nonresident students (see page 8).



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 July 14, 2006 through October 9, 2008, except for the verification of professional employee certification which was performed for the period January 14, 2006 through July 31, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 WMASD'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?

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.

- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 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.

WMASD 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, 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 March 22, 2007, we reviewed the WMASD's response to DE dated May 2, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to this finding:

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

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

Pupil Transportation Discrepancies

Our review of the District's pupil transportation data submitted to the Department of Education (DE) for the 2005-06 school year found errors in reporting the number of nonpublic pupils transported, resulting in a reimbursement underpayment of \$3,465. For the 2004-05 school year, we found a lack of documentation supporting the nonpublic transportation subsidy of \$142,835.

District personnel understated the number of nonpublic students by nine for the 2005-06 school year. For school year 2004-05, the District did not retain all records necessary to support the reported number of nonpublic pupils transported. As a result, we were unable to verify if the District received the correct amount of nonpublic subsidy.

We have provided DE with a report detailing the transportation error to use in recalculating the District's 2005-06 school year nonpublic transportation subsidy.

Recommendations

The *West Mifflin Area School District* should:

1. Require District personnel responsible for pupil transportation reports to adopt procedures to retain supporting documentation for nonpublic pupils transported.
2. Require District personnel to perform an internal review to ensure accuracy of data prior to submission of reports to DE.

The *Department of Education* should:

3. Adjust the District's allocations to recover the \$3,465 underpayment of nonpublic transportation subsidy.

Management Response

Management agreed with the finding and stated that the District's administrative offices moved in August of 2007, and transportation records were misplaced during the move. Management stated the District would continue to search for the records.

Status of Prior Audit Findings and Observations

Our prior audit of the West Mifflin Area School District (WMASD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to the reporting of transportation data, and the second pertained to nonresident students. 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 WMASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the WMASD did not implement our recommendations related to pupil transportation data. WMASD did implement recommendations related to the reporting of nonresident students.

<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 1: Errors in Reporting Pupil Transportation Data to the DE Resulted in a Net Reimbursement Overpayment of \$85,171</i></u></p> <ol style="list-style-type: none"> 1. Ensure that all transportation documentation is retained and transportation data is accurately reported to DE. 2. DE should adjust future District allocations to recover the \$85,171 net overpayment. 	<p>Background:</p> <p>Our review of District transportation records for the 2003-04 and 2002-03 school years found that the District inaccurately reported various data to DE, resulting in a net overpayment of transportation reimbursements to the District of \$85,171.</p> <p>In addition, documentation for pupil counts and mileages was insufficient for us to verify the data reported for the 2002-03 school year.</p>	<p>Current Status:</p> <p>The District did not retain all records necessary to support the reported number of nonpublic pupils transported during the 2004-05 school year. Additionally, for the 2005-06 school year the District understated the number of nonpublic students (see our current finding on page 6).</p> <p>As of October 9, 2008, DE had not made the adjustment to recover the prior net overpayment. We again recommend that DE correct the net overpayment of \$85,171.</p>

<p><u><i>II. Finding 2: Errors in Reporting Nonresident Membership Resulted in an Underpayment of \$14,349 in Tuition for Children Placed in Private Homes</i></u></p> <ol style="list-style-type: none">1. Review membership data thoroughly to ensure students are properly classified prior to submitting reports to DE.2. Review reports submitted subsequent to the years audited and submit revised reports to DE if errors are found.3. DE should adjust the District's allocations to correct the \$14,349 underpayment of tuition for children placed in private homes.	<p>Background:</p> <p>Our review of pupil membership reports submitted to DE for the 2003-04 school year found that elementary and secondary nonresident membership for children placed in private homes were both understated by 183 days. The errors resulted in an underpayment of \$14,349 in tuition for children placed in private homes.</p>	<p>Current Status:</p> <p>No errors were found in nonresident membership reported for our current audit years. Based on the results of our current audit, we concluded that the District took appropriate corrective action to address this finding.</p> <p>As of October 9, 2008, DE had not corrected the underpayment. We again recommend that DE adjust the District's allocations to correct the \$14,349 underpayment.</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.auditor.gen.state.pa.us, and the following:

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