



WEST PERRY SCHOOL DISTRICT  
PERRY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

APRIL 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. Charles Thiemann, Board President  
West Perry School District  
2606 Shermans Valley Road  
Elliottsburg, Pennsylvania 17024

Dear Governor Corbett and Mr. Thiemann:

We conducted a performance audit of the West Perry School District (WPSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 1, 2010, through November 6, 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 WPSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the 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 WPSD's management and their response is included in the audit report. We believe the implementation of our recommendations will improve WPSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WPSD's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

April 3, 2013

cc: WEST PERRY 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 West Perry School District (WPSD). Our audit sought to answer certain questions regarding the WPSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period April 1, 2010, through November 6, 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 WPSD encompasses approximately 325 square miles. According to a January 2009 local census, it serves a resident population of 16,969. According to District officials, in school year 2009-10 the WPSD provided basic educational services to 2,679 pupils through the employment of 238 teachers, 174 full-time and part-time support personnel, and 20 administrators. Lastly, the WPSD received more than \$15 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the WPSD 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 Regarding Pupil Membership**

**Procedures.** Our audit of child accounting data for the 2009-10 and 2008-09 school years found that WPSD personnel were not able to provide all the documents necessary to verify the accuracy of pupil membership data reported to the Pennsylvania Department of Education for both school years (see page 6).

**Status of Prior Audit Findings and Observations.** There were no findings or observations included in our prior audit report.





## 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 Pennsylvania 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 April 1, 2010, through November 6, 2012, except for the verification of professional employee certification which was performed for the period April 1, 2010, through October 22, 2012.

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 WPSD'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 subsidies 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 PDE through the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they 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?
- ✓ 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?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

## **Methodology**

*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.

WPSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the WPSD is in compliance with applicable laws, contracts, grant requirements, and

*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.

administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements and administrative procedures 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/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to 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 WPSD operations.

## Findings and Observations

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### Finding

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### Internal Control Weaknesses Regarding Pupil Membership Procedures

*Criteria relevant to the finding:*

According to PDE's 2009-10 *PIMS User Manual*, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEA's must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of child accounting data for the 2009-10 and 2008-09 school years found that West Perry School District (WPSD) personnel were not able to provide all the documents necessary to verify the accuracy of pupil membership data reported to PDE for the 2009-10 and 2008-09 school years.

During our audit, WPSD personnel were unable to reconcile their student detail reports from their student information system (SIS) with final PDE reports in PIMS. Our review of the membership reports provided for audit for the 2009-10 school year found discrepancies in 5 of 8 terms in which resident membership data was reported to

PDE. For 2008-09, resident and non-resident differences were noted in 9 of 15 terms. Since the WPSD was unable to reconcile or explain these discrepancies identified during our preliminary review of membership records, we were not able to confirm the accuracy of the membership data or make any adjustments to reported membership data.

Internal controls are the responsibility of management. Our audit of child accounting data noted a lack of adequate internal controls and a failure to maintain adequate documentation, as follows:

1. The WPSD does not have any type of child accounting manual outlining the child accounting procedures. When a district has employee turnover in the area of child accounting, it is especially important to have such a manual to help ensure that data reported to PDE is accurate.
2. WPSD personnel do not perform routine reconciliations to ensure the accuracy of data submitted to PDE.
3. Inaccuracies in child accounting data may not have been detected due to the decentralization of the child accounting function. Communication between all parties should be ensured.
4. The WPSD was unable to provide registration forms for any students reviewed. Other registration related documentation (entry/withdrawal forms, student snapshots from WPSD's SIS, etc.) that was requested was not available for some students.
5. The WPSD does not have documented procedures in place to ensure continuity over PIMS data submission. This would likely cause issues if there were turnover in child accounting or PIMS coordinator positions.
6. Retirement of the prior child accounting coordinator and the subsequent transfer of responsibility to a temporary child accounting coordinator. A new child accounting coordinator was hired near the end of audit fieldwork.

## **Recommendations**

The *West Perry School District* should:

1. Develop and implement written procedures to address the collection, reporting and reconciling of district-generated student detail reports to the final PDE reports for all resident and nonresident students.
2. Review its child accounting procedures and analyze whether the decentralized approach is the best method of collecting and reporting data accurately for the WPSD.
3. Perform routine reconciliations to ensure that data from the WPSD's SIS matches the data being processed by PIMS reports.
4. Maintain registration forms, entry and withdrawal forms, and student snapshot documentation for all students.
5. Develop written procedures to ensure continuity over PIMS data submission to minimize risk in the event of personnel turnover.
6. Review reports for years subsequent to audit and if errors are noted, submit revised reports to PDE.

## **Management Response**

Management stated the following:

It is the understanding of management that the state auditor requested some membership documentation that could not be located by District staff. The District believes the cause of this problem is due to the recent retirement of the Coordinator of Student Services. Recently, the District hired a new individual in the capacity of Coordinator of Student Services. She has begun the process of evaluating and revising the child accounting procedures. The District plans to explore the concept of central registration. It is also the District's intention to develop written procedures in the area of child accounting and membership.

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

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**O**ur prior audit of the West Perry School District resulted in no findings or observations.





## **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  
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The Honorable Ronald J. Tomalis  
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