



WILLIAM PENN SCHOOL DISTRICT
DELAWARE 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

Ms. Diane Leahan, Board President
William Penn School District
100 Green Avenue Annex
Lansdowne, Pennsylvania 19050

Dear Governor Corbett and Ms. Leahan:

We conducted a performance audit of the William Penn School District (WPSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 5, 2010, through December 12, 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 the WPSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve the 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 12, 2013

cc: **WILLIAM PENN 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 William Penn School District (WPSD). 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 WPSD in response to our prior audit recommendations.

Our audit scope covered the period November 5, 2010, through December 12, 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 5 square miles. According to 2010 federal census data, it serves a resident population of 42,457. According to District officials, in school year 2010-11 the WPSD provided basic educational services to 5,362 pupils through the employment of 418 teachers, 165 full-time and part-time support personnel, and 35 administrators. Lastly, the WPSD received more than \$33.2 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: The William Penn School District Lacks Sufficient Internal Controls Over Its Student Record Data.

Our review of the WPSD's controls over data integrity found that internal controls need to be improved. Specifically, our audit found that the WPSD did not reconcile their membership data per their student information system with the Pennsylvania Information Management System reports (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WPSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the WPSD had taken appropriate corrective action in implementing our recommendations pertaining to lack of Memorandum of Understanding and Memorandum not updated timely (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

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 November 5, 2010, through December 12, 2012, except for the verification of professional employee certification, which was performed for the period October 19, 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?
- ✓ 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 there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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 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, pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 13, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

The William Penn School District Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the finding:

According to the Pennsylvania Department of Education's (PDE) *2009-10 PIMS User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. Pennsylvania Information Management System 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*, 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 an improper amount of state reimbursement.

Our review of the William Penn School District's (WPSD) controls over data integrity found that internal controls need to be improved. Specifically, our audit found that the WPSD did not reconcile their membership data per their student information system (SIS) with the PIMS reports resulting in the following:

1. We were not able to obtain detailed child accounting data from the WPSD's SIS to reconcile with the PIMS reports. WPSD personnel stated that it would be too difficult and time consuming to retrieve the archived documents and that they probably would not reconcile anyway.

2. Two PIMS reports, Summary of Child Accounting Membership Report (SCAMR), and Instructional Time and Membership Report (ITMR) for the 2009-10 school year didn't reconcile. As a result of an email from PDE, manual adjustments were submitted via email to PDE by WPSD. However, the adjustments were only applied to SCAMR and not the ITMR. WPSD personnel were not aware that a request to PDE to open a window was required to electronically upload the adjustments to PIMS. According to PDE, they cannot make manual adjustments to PIMS therefore a secondary database is created from PIMS and this contains the final membership data from where the WPSD is paid their subsidy. The SCAMR is generated from this secondary database and the ITMR is generated from PIMS. As a result the two reports will not reconcile if manual adjustments are made. After applying the manual changes to the ITMR the two reports reconciled to insignificant differences.

Recommendations

The *William Penn School District* should:

1. Prior to closing out their child accounting system at the end of the school year, print out necessary documents for WPSD reconciliation and future audit review.
2. For years subsequent to our audit period, compare the student listing on the detailed child accounting reports to the students listed on the PIMS reports and ensure that membership data has been submitted to PDE for all students. In addition, ensure that all students appear on both reports, and that any revisions that may be necessary are submitted to PDE.

The *Pennsylvania Department of Education* should:

3. Ensure that manual adjustments flow to all reports generated by PIMS.

Management Response

Management stated the following:

The William Penn School District Administration agrees with the finding. We will take the necessary corrective actions regarding this issue.

Status of Prior Audit Findings and Observations

Our prior audit of the William Penn School District (WPSD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to lack of Memorandum of Understanding and Memorandum not updated timely. As part of our current audit, we determined the status of corrective action taken by the WPSD to implement our prior recommendations. We performed audit procedures, and questioned WPSD personnel regarding the prior finding. As shown below, we found that the WPSD did implement recommendations related to the Memorandum of Understanding.

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

Finding: **Lack of Memorandum of Understanding and Memorandum Not Updated Timely**

Finding Summary: Our prior audit found that the WPSD did not have a signed Memorandum of Understanding (MOU) with one of its six local law enforcement agencies available. Also the current MOU between the WPSD and another one of its six local law enforcement agencies was signed in November 1998 and was not updated.

Recommendations: Our audit finding recommended that the WPSD:

1. In consultation with its solicitor, develop and implement a MOU between the WPSD and all appropriate law enforcement agencies.
2. Review, update and re-execute the MOU that has not been updated since November 1998.
3. Adopt a policy requiring the administration to review and re-execute all MOUs every two years.

Current Status: During our current audit procedures, we found that the WPSD did implement our recommendations by updating and re-executing their MOUs with all local law enforcement agencies having jurisdiction over school property in June/July 2011. Furthermore, each of the MOUs state that the MOU is to be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.



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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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

