

WILLIAMSPORT AREA SCHOOL DISTRICT
LYCOMING COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2012

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

Ms. Lori Baer, Board President
Williamsport Area School District
2780 West Fourth Street
Williamsport, Pennsylvania 17701

Dear Governor Corbett and Ms. Baer:

We conducted a performance audit of the Williamsport Area School District (WASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 17, 2008 through April 13, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

July 26, 2012

cc: **WILLIAMSPORT 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 Williamsport Area School District (WASD). 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 WASD in response to our prior audit recommendations.

Our audit scope covered the period October 17, 2008 through April 13, 2010, 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 2007-08 and 2006-07.

District Background

The WASD encompasses approximately 98 square miles. According to 2000 federal census data, it serves a resident population of 44,192. According to District officials, in school year 2007-08 the WASD provided basic educational services to 5,629 pupils through the employment of 436 teachers, 395 full-time and part-time support personnel, and 49 administrators. Lastly, the WASD received more than \$35 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Transportation Contract has been Rescinded Resulting in a Possible Negative Impact on the District's Financial Position. On January 29, 2010, the Pennsylvania Labor Relations Board found in favor of the Williamsport Area Support Personnel Association v. WASD. The case was based on the WASD selling their buses and contracting the transportation service with [a contractor] (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the WASD had taken appropriate corrective action in implementing our recommendations pertaining to lack of adequate policies and procedures for current bus drivers (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 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 October 17, 2008 through April 13, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 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 WASD'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?
- ✓ 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?

- ✓ 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 buy-out 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, 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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

WASD 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 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 WASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Transportation Contract has been Rescinded Resulting in a Possible Negative Impact on the District's Financial Position

Relevant criteria for the observation:

Section 1201 of the Public Employee Relations Act (PERA)

(a) Public employers, their agents or representatives are prohibited from:

(5) Refusing to bargain collectively in good faith with an employe[e] representative which is the exclusive representative of employe[e]s in an appropriate unit, including but not limited to the discussing of grievances with the exclusive representative.

On January 29, 2010, the Pennsylvania Labor Relations Board found in favor of the Williamsport Area Support Personnel Association in its legal action against the Williamsport Area School District (WASD). The action alleged that the District violated the Public Employee's Relations Act when it sold its buses and contracted transportation services with [a contractor].

The hearing examiner found that the WASD committed an unfair labor practice.

The hearing examiner's order stated that the WASD shall:

1. Cease and desist from refusing to bargain collectively in good faith, with one employe[e] representative which is the exclusive representative of employe[e]s in an appropriate unit, including but not limited to the discussion of grievances with the exclusive representative;
2. Take the following affirmative action that the hearing examiner finds necessary to effectuate the policies of the PERA;
 - a. Rescind the contract with [a contractor] and reinstate the work of providing transportation services to the bargaining unit;
 - b. Offer in writing to any employe[e] who lost work as the result of its contract with [a contractor] unconditional reinstatement to their former position without prejudice to any rights or privileges enjoyed by them;
 - c. Make whole any employe[e] who sustained a loss of pay and/or benefits as the result of its contract with [a contractor];

- d. Pay interest at the simple rate of 6 percent per annum on any back pay due from the date the employe[e] sustained a loss of pay as the result of its contract with [a contractor] to the date they are offered unconditional reinstatement to their former position;
- e. The back pay due shall be computed on the basis of each separate calendar quarter or portion thereof during the period stated above. The quarterly period shall begin with the first day of January, April, July and October. The pay shall be determined by deducting from a sum equal to that which the employe[e] normally would have earned for each quarter or portion thereof earnings which the employe[e] actually earned or with the exercise of due diligence would have earned in other employment, earnings the employe[e] would have lost through sickness and any unemployment compensation received by the employe[e]. If the District claims lack of due diligence, it shall be obligated to establish that there was substantially equivalent employment reasonably available and that due diligence was not exercised to find interim employment. Earnings in one particular quarter shall have no effect on the liability for any other quarter;
- f. Post a copy of this decision and order within five days from the effective date hereof in a conspicuous place readily accessible to its employe[e] and have the same remain so posted for a period of ten consecutive days; and
- g. Furnish to the board within 20 days of the date hereof satisfactory evidence of compliance with this decision and order by completion and filing of the attached affidavit of compliance.

The District appealed this decision. If the District loses their appeal and is responsible for maintaining the buses, this outcome could negatively impact the District's financial position. The District's contract with [a contractor] includes a provision allowing the District to cancel the contract for legal reasons with no compensatory damages. The Contractor purchased the District's buses along with new buses and hired 30 former union employees.

Recommendations

The *Williamsport Area School District* should:

Require the administration to evaluate the potential cost to the District and its taxpayers in case their appeal is lost.

Management Response

Management stated the following:

On June 2, 2009, the Williamsport Area School District school board approved a contract with [a contractor] to provide student transportation services for the School District commencing with the 2009-2010 school year.

On June 16, 2009, the support staff union filed an unfair labor practice.

On October 22, 2009, a hearing was held with a PA Labor Board hearing examiner regarding the ULP.

As a result of the hearing, the PA Labor Board ordered the contract for student transportation services be rescinded and all employees be reinstated.

The District has filed exceptions to be heard by the Labor Board. Results of the decision on that matter are still pending.

The District has taken no action to rescind the contract with [a contractor].

The District plans to appeal until the District prevails or all appeals are exhausted.

Auditor Conclusion:

Subsequent to our fieldwork completion, on May 3, 2011, the state Commonwealth Court upheld the state Labor Relations Board's 2010 decision. The Court's opinion showed substantial evidence of the District's failure to bargain in good faith with the Williamsport Area Support Personnel Association. Subsequently, on June 7, 2011, the WASD school board voted to approve a settlement agreement between Williamsport Area Support Personnel Association and the District. The agreement will pay \$143,500 to former District transportation employees to resolve all outstanding matters arising out of the District's contract for transportation services.

Status of Prior Audit Findings and Observations

Our prior audit of the Williamsport Area School District (WASD) for the school years 2005-06 and 2004-05 resulted in an observation. The observation pertained to inadequate policies and procedures for current bus drivers. 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 observation. As shown below, we found that the WASD did implement recommendations related to inadequate policies and procedures for current bus drivers.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation: **District Continues to Lack Adequate Policies and Procedures for Current Bus Drivers**

Observation

Summary:

Our prior audit found that the District lacked adequate policies and procedures for bus drivers.

Recommendations:

Our audit observation recommended that the WASD:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Current Status:

We followed up on the WASD policies and procedures for current bus drivers and determined that the District did take proper corrective action to address the prior audit recommendations by adopting policies and procedures regarding bus driver qualifications.



Distribution List

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

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