



WILMINGTON AREA SCHOOL DISTRICT  
LAWRENCE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 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. Nancy W. Bretz, Board President  
Wilmington Area School District  
300 Wood Street  
New Wilmington, Pennsylvania 16142

Dear Governor Corbett and Ms. Bretz:

We conducted a performance audit of the Wilmington Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period December 2, 2011 through May 9, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012 and 2011. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE  
Auditor General

November 12, 2013

cc: **WILMINGTON AREA SCHOOL DISTRICT** Board of School Directors

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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 Wilmington Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period December 2, 2011 through May 9, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12 and 2010-11 school years.

### **District Background**

The District encompasses approximately 110 square miles. According to 2010 federal census data, it serves a resident population of 11,828. According to District officials, the District provided basic educational services to 1,306 pupils through the employment of 109 teachers, 69 full-time and part-time support personnel, and 6 administrators during the 2011-12 school year. Lastly, the District received \$8,698,640 in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

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

With regard to the status of our prior audit recommendations to the Wilmington Area School District (District) from an audit released on January 31, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting pupil membership (see page 6). The corrective action implemented by the District pertaining to the amount paid to the pupil transportation contractors greatly exceeding the Pennsylvania Department of Education's final formula allowance will have to be determined in the next audit cycle (see page 7).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania 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 Section 403 of The Fiscal Code, 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 2, 2011 through May 9, 2013, except for the verification of professional employee certification, which was performed for the period October 11, 2011 through March 26, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 school years.

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 District's compliance with certain relevant 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?
- ✓ In areas where the District received state subsidies and 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 received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take 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 independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

## **Methodology**

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

*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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 31, 2012, we reviewed the District's response to PDE dated March 19, 2012. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Wilmington Area School District resulted in no findings or observations.

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

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Our prior audit of the Wilmington Area School District (District) released on January 31, 2012, resulted in one finding and one observation. The finding pertained to errors in reporting pupil membership data, and the observation pertained to the amount paid to the pupil transportation contractors greatly exceeding the Pennsylvania Department of Education's (PDE) final formula. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to PDE, performed audit procedures, and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement our recommendations related to reporting pupil membership data.

### **Auditor General Performance Audit Report Released on January 31, 2012**

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**Finding:** **Errors in Reporting Pupil Membership Resulted in a Net Reimbursement Underpayment of \$43,170**

Finding Summary: Our prior audit of the District's pupil membership reports submitted to PDE for the 2009-10 and 2008-09 school years found reporting errors resulting in a net underpayment of \$43,170. District personnel failed to report or inaccurately reported resident and non-resident pupil membership days.

Recommendations: Our audit finding recommended that the District:

1. Reference the Pennsylvania Information Management System (PIMS) manual of reporting instructions for the proper reporting of non-resident students' membership days.
2. Strengthen internal controls to ensure adherence to PDE regulations when reporting non-resident students.
3. Review membership reports submitted to PDE for school years subsequent to the audit, and if reporting errors are found, contact the PIMS help desk for guidance in changing coding and submit revised reports to PDE.
4. Contact the Lawrence County Career Center to ensure they properly identify the District's non-resident students' membership when completing their PIMS child accounting membership reports to PDE.

We also recommended PDE should:

5. Adjust the District's allocations to resolve the net underpayment of \$43,170.

Current Status:

During our current audit, we found that the District did implement the recommendations.

District personnel did review subsequent reports for the 2010-11 school year and resubmitted corrected pupil membership reports to PDE on March 20, 2013.

At the time of the current audit, PDE had not adjusted the District's allocations to resolve the net reimbursement underpayment of \$43,170.

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**Observation:**

**Amount Paid to the Pupil Transportation Contractors Greatly Exceeds Department of Education Final Formula Allowance**

Observation Summary:

Our prior audit of the District's contracted pupil transportation costs for the school years ending June 30, 2007 through June 30, 2010, found that the contracted cost of the District's pupil transportation operation had increased substantially more than the inflation rate over a four-year period. The amount paid to the District's transportation contractors increased more than PDE's inflation-adjusted final formula allowance.

Recommendations:

Our audit observation recommended that the District:

1. Prior to negotiating a new contract, be cognizant of the state's final formula allowance cost formula.
2. Prepare pupil transportation contracts to ensure the local effort is as minimal as permitted by establishing the base rate and increases in line with PDE's final formula allowance for all pupil transportation costs.
3. Have District personnel continuously monitor and justify any increase in the District's pupil transportation costs.

Current Status:

During our current audit, we found that the District did implement corrective action.

On July 1, 2012, the District signed a new five-year pupil transportation contract for the period (2012-13 through 2016-17). The contract provides an average of 2.4 percent increase each year for the term of the contract. The increase amount was predicated by the Act 1 Index of 1.7 percent, adjusted for the District to 2.3 percent for the 2012-13 school year.

The results of the District's subsequent corrective action will be reviewed during future audits beginning with the 2012-13 school year.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Carolyn Dumaesq  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).