



WINDBER AREA SCHOOL DISTRICT
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 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. Timothy Tokarsky, Board President
Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania 15963

Dear Governor Corbett and Mr. Tokarsky:

We conducted a performance audit of the Windber Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 20, 2010 through February 7, 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, 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

July 24, 2013

cc: WINDBER AREA SCHOOL DISTRICT Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding – Certification Deficiency	5
Observation – The District Lacks Sufficient Internal Controls Over Its Student Data	7
Status of Prior Audit Findings and Observations	10
Distribution List	11

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Windber Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period April 20, 2010 through February 7, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 63 square miles. According to 2010 federal census data, it serves a resident population of 8,880. According to District officials, the District provided basic educational services to 1,180 pupils through the employment of 93 teachers, 77 full-time and part-time support personnel, and 6 administrators during the 2009-10 school year. Lastly, the District received \$10.5 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District 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. In addition, we identified one matter unrelated to compliance that is reported as an observation.

Finding: Certification Deficiency. Our audit of the Windber Area School District's professional employees' certification and assignments found that one teacher served as the middle/high school guidance counselor with a lapsed provisional certificate (see page 5).

Observation: The District Lacks Sufficient Internal Controls Over Its Student Data. Our review of the Windber Area School District's controls over data integrity found that internal controls need to be improved (see page 7).

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

Audit Scope, Objectives, and Methodology

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 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 20, 2010 through February 7, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2011 through December 5, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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 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?
- ✓ 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 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 did the current employment contract(s) contain adequate termination provisions?
- ✓ 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 votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

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 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.

The District's 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. 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 applicable state laws, regulations, contracts, grant requirements, 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification, pupil membership, state ethics compliance, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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

Findings and Observations

Finding

Criteria relevant to the finding:

24 P.S. § 12-1202 of the Public School Code provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

24 P.S. § 25- 2518 of the Public School Code provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in the Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Certification Deficiency

Our audit of the Windber Area School District (District) professional employees’ certification and assignments for the period July 1, 2011 through December 5, 2012, found that one teacher served as the middle/high school guidance counselor with a lapsed provisional certificate.

Information pertaining to the deficiency was submitted to the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality (BSLTQ) for its review and determination. BSLTQ subsequently confirmed the deficiency. Therefore, the District is subject to a subsidy forfeiture of \$2,217 for the 2011-12 school year. The subsidy forfeiture for the 2012-13 school year could not be calculated because the aid ratio necessary for the calculation was not yet available at the time of our audit.

This certification deficiency occurred because District staff failed to effectively monitor the District’s professional personnel assignments to ensure that personnel made their provisional certificates permanent before they lapsed.

It is District management’s responsibility to ensure that its academic staff is properly trained and certified. A failure to maintain proper certification for professional employees jeopardizes both the District’s ability to ensure that students receive instruction from qualified employees, and its state subsidy.

It should be noted that effective December 1, 2012, PDE issued a Level II permanent certificate to this teacher.

Recommendations

The *Windber Area School District* should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed certificates.

The *Pennsylvania Department of Education* should:

3. Recover the appropriate subsidy forfeitures.

Management Response

Management stated the following:

“A form is being developed that will include the following information for all professional staff: name, assignment, certification required and certificate held. The form will also have a place for the personnel clerk to sign and date verification of each professional’s information. The form will be completed and placed on file annually prior to the first day of school. A supplemental form will be completed and attached if new professional employees are hired during the year.”

Auditor Conclusion

We are pleased that the District has already taken steps to improve its process for verifying professional staff certification. We will evaluate the District’s new procedures during our next cyclical audit.

Observation

The District Lacks Sufficient Internal Controls Over Its Student Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. 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*, 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.

The Pennsylvania Department of Education (PDE) 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.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our review of the Windber Area School District's (District) data integrity found that its internal controls need to be strengthened. Specifically, our review found that:

- District personnel in charge of child accounting and PIMS reporting did not print out the required validation reports from its SIS after the data was uploaded to PIMS at the end of the 2009-10 school year. Consequently, the District did not reconcile its SIS vendor membership reports with PIMS reports. This reconciliation is a basic internal control that can catch data errors before they are reported to PDE.
- Five special education students were not correctly classified. As a result, intermediate unit mainstream time was not included in the PIMS upload.
- The District did not create a calendar for part-time area vocational-technical school (AVTS) students who attended District classes. Thus, the District incorrectly counted the home AVTS portion of the students' time as regular membership.

- The District's child accounting personnel did not report all of the instructional days lost during the year or any make-up days.
- One student was on the membership report created by the intermediate unit, but did not appear on the District's PIMS Student Calendar Fact Template Detail Report.

These deficiencies resulted from the District's failure to sufficiently train its child accounting personnel on the District's Student Information System (SIS) software program or on PIMS. In addition, the District did not have adequate documented procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

These types of student data reporting errors place the District's state funding at risk. It is management's responsibility to ensure that the District receives its appropriate state subsidy. Without the proper internal controls, the District is not assured that accurate student data is being collected and submitted to PDE.

Recommendations

The *Windber School District* should:

1. Contact its SIS software vendor to determine if the vendor can offer training to District personnel in charge of child accounting and PIMS. District personnel should also participate in the PIMS webinars that are offered to District personnel by PDE.
2. Printout SIS membership reports and PIMS reports after the PIMS upload is completed for each school year, perform reconciliations between the District's child accounting software data and the PIMS reports, and retain documentation for our audit purposes.
3. Reference the PIMS manual of reporting for instructions in the proper reporting of nonresident, special education, and AVTS student membership.
4. Correctly report days lost or any total make-up days when creating information for the PIMS School Calendar Template.

5. Develop documented procedures (e.g. procedure manuals, policies or other written instructions) to ensure continuity over PIMS data submission if persons responsible for reporting student membership were to leave the District suddenly or otherwise be unable to upload PIMS data to PDE.
6. Review membership reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.

Management Response

Management stated the following:

“The district will centralize the management of student accounting by making a supervisor responsible for the management of all PIMS procedures.”

Status of Prior Audit Findings and Observations

Our prior audit of the Windber Area School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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