

WYALUSING AREA SCHOOL DISTRICT
BRADFORD COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2009

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Deborah Stethers, Board President
Wyalusing Area School District
115 Main Street
P.O. Box 157
Wyalusing, Pennsylvania 18853

Dear Governor Rendell and Ms. Stethers:

We conducted a performance audit of the Wyalusing Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period August 17, 2007 through June 19, 2009, 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, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 11, 2009

cc: **WYALUSING 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 Wyalusing Area School District (WASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, 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 August 17, 2007 through June 19, 2009, 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 280 square miles. According to 2000 federal census data, it serves a resident population of 9,338. According to District officials, in school year 2007-08 the WASD provided basic educational services to 1,417 pupils through the employment of 107 teachers, 58 full-time and part-time support personnel, and 12 administrators. Lastly, the WASD received more than \$9.4 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, 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 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 reporting of retirement wages (see page 7) and updating their Memorandum of Understanding in a timely manner (see page 8).



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 August 17, 2007 through June 19, 2009.

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 Department of Education (DE) 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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WASD's compliance with applicable 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:

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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, regulations, 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our 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, regulations, 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.
- Items such as Board meeting minutes and reimbursement applications.

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 January 23, 2008, we reviewed the WASD's response to DE dated January 14, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Wyalusing Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Wyalusing Area School District (WASD) for the school years 2005-06 and 2004-05 resulted in two reported findings. The first finding pertained to possible inaccurate reporting of retirement wages, and the second finding pertained to the Memorandum of Understanding not being updated timely. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the WASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the WASD did implement recommendations related to the reporting of retirement wages and a timely updated Memorandum of Understanding.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Possible Inaccurate Reporting of Retirement Wages</i></u></p> <ol style="list-style-type: none"> 1. Ensure that District personnel report to the Pennsylvania State Employees’ Retirement System (PSERS) only those wages allowable for retirement purposes as stated in PSERS regulations and guidelines. 2. PSERS should review the 2004-05 and 2005-06 school years compensation reported for the employees cited in this report, and render an opinion on the propriety of wages reported by the District. If the retirement incentives are determined to be ineligible for retirement, disqualify the reported wages and make the necessary corrections to pension benefits and contributions. 	<p>Background:</p> <p>Our audit of the District’s employee contracts, payroll and retirement records found wages may have been improperly reported to PSERS for the 2005-06 and 2004-05 school years, for retirement purposes.</p>	<p>Current Status:</p> <p>We followed up on WASD reporting of retirement wages and determined that the District <u>did</u> take proper corrective action to address the prior audit recommendations. PSERS made the proper adjustments to the reported retirement wages for the 2005-06 and 2004-05 school years. However, DE has not made the adjustment for the overpayment to the District retirement subsidy. Therefore, we again recommend DE make the adjustment for the overpayment.</p>

<p>3. If PSERS determines that the compensation is ineligible for retirement, District personnel should revise the 2006-07 reported wages for retirement purposes.</p> <p>4. Furthermore, districts receive direct payments of retirement subsidy from the Commonwealth; therefore, DE, in conjunction with PSERS's determination of the propriety of wages reported for retirement, should determine if the District was overpaid retirement subsidy, and make the necessary adjustments.</p>		
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<p><i>II. Finding 2: Memorandum of Understanding Not Updated Timely</i></p> <p>1. Develop and implement a Memorandum of Understanding (MOU) between the District and the Pennsylvania State Police for the elementary center in another county.</p> <p>2. Adopt a policy requiring the administration to have MOUs in place and review and re-execute the MOUs every two years.</p>	<p>Background:</p> <p>Our audit of the District's records found that the District did not have a signed MOU for one elementary building between the District and the Pennsylvania State Police.</p>	<p>Current Status:</p> <p>We followed up on the WASD MOU and determined that the District <u>did</u> take proper corrective action to address the prior audit recommendations.</p>
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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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