



WYOMING VALLEY WEST SCHOOL
DISTRICT

LUZERNE COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

SEPTEMBER 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. Gordon Dussinger, Board President
Wyoming Valley West School District
450 North Maple Avenue
Kingston, Pennsylvania 18704

Dear Governor Corbett and Mr. Dussinger:

We conducted a performance audit of the Wyoming Valley West School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 9, 2009 through November 21, 2012, 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 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 applicable state laws, contracts, grant requirements, and administrative procedures. However, we identified a 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 observations 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,

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

EUGENE A. DEPASQUALE
Auditor General

September 5, 2013

cc: **WYOMING VALLEY WEST SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wyoming Valley West 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 November 9, 2009 through November 21, 2012, 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 14 square miles. According to 2010 federal census data, it serves a resident population of 42,261. According to District officials, the District provided basic educational services to 4,833 pupils through the employment of 274 teachers, 199 full-time and part-time support personnel, and 27 administrators during the 2009-10 school year. Lastly, the District received \$25 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. However, we identified a matter unrelated to compliance that is reported as an observation.

Observation: The Board Rejected the Joint Operating Agreement with the Career and Technology Center Resulting in Costly Excess Tuition Fees Totaling \$1,159,331. The Wyoming Valley West School District's (District) Board of School Director's unanimously rejected the proposed Joint Operating Agreement (Agreement) with the West Side Area Career and Technology Center (Center). By rejecting the Agreement, the District withdrew as a member of the Center, and began paying the non-member tuition rate for its students to attend the Center. This resulted in the District paying \$1,159,331 more in tuition than it would have paid as a Center member. (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations included 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 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 November 9, 2009 through November 21, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2012 through September 12, 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?
- ✓ 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 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

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, 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

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.

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, bus driver qualifications, professional employee certification, 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

Observation

Criteria relevant to the observation:

Section 18-1847 of the Public School Code, 24 P.S. 24 P.S. § 18-1847, provides:

“On obtaining the consent of the area vocational-technical board operating an area vocational-technical school or technical institute, and with or without the consent of the board of school directors of the district in which the pupil resides, any pupil residing in a nonparticipating district may attend the area vocational-technical school or technical institute. The school district in which the pupil resides shall be charged, for each pupil attending the area vocational-technical school or technical institute, an amount equal to the total approved budget for current expenses, debt service and capital outlay divided by the number of pupils enrolled in the school.”

The Board Rejected the Joint Operating Agreement with the Career and Technology Center Resulting in Costly Excess Tuition Fees Totaling \$1,159,331

On April 9, 2008, the Wyoming Valley West School District (District) Board of School Directors (Board) unanimously rejected the proposed Joint Operating Agreement (Agreement) with the West Side Area Career and Technology Center (Center). By rejecting the Agreement, the District withdrew as a member of the Center, and began paying the non-member tuition rate for its students that attended the Center. This resulted in the District paying \$1,159,331 more in tuition than it would have paid as a Center member.

The District had previously been a member of the Center, and during the 2008-09 school year had approximately 323 vocational students enrolled at the Center. The District rejected the Agreement because they wanted more equitable representation on the Joint Operating Committee (JOC), a financing plan that encouraged participation from all districts, and a long range plan to upgrade and improve the school.

According to the Center’s Agreement, current expenditures for the operation of the Center would be borne by the participating school districts in proportionate shares, based on each district’s average daily membership (ADM). Member districts’ support is equal to the total proposed budget, less non-member revenue, and less federal/state programs. In addition, the total proposed budget does not include costs incurred by the Center to provide data services to the districts choosing these services. Unexpended budget monies and income are returned to the member districts in the same proportion and manner as was their respective assessment.

Two years later, according to the June 9, 2010, board meeting minutes, the Board unanimously agreed to re-sign the Agreement for a limited, one year participation, allowing for the annual renewal contingent on progress toward its previous demands.

Criteria relevant to the observation continued:

“On obtaining the consent of the area vocational-technical board operating an area vocational-technical school or technical institute, and with or without the consent of the board of school directors of the district in which the pupil resides, any pupil residing in a nonparticipating district may attend the area vocational-technical school or technical institute. The school district in which the pupil resides shall be charged, for each pupil attending the area vocational-technical school or technical institute, an amount equal to the total approved budget for current expenses, debt service and capital outlay divided by the number of pupils enrolled in the school.

As public officials, to represent the best interest of the taxpayers and students, it is the responsibility of the board to adhere to sound business practices and strong financial management.”

On June 16, 2010, the District Superintendent sent a letter notifying the Center that the District voted to rejoin and sign the Agreement. However, the letter did not indicate that there would be a time limitation on the District’s participation. On June 22, 2010, the Center requested the board meeting minutes documenting the Board’s approval of the Agreement. After the Center’s review of this resolution, it sent a letter back to the District stating the following, in part:

. . . it is readily apparent that the representation contained in your letter does not accurately reflect the resolution adopted by the [District] board of directors.

Further, since that resolution does not reflect an unqualified agreement to sign the existing Articles of Agreement to which the current members are bound, the resolution is in conflict with the terms and conditions for readmission as a member district...

Although this matter will be further discussed at our upcoming June 29 meeting, I do not expect our J.O.C. to accept [District’s] return as a member district unless and until [District] is prepared to execute the existing Articles of Agreement without condition.

There was no further documentation of the JOC’s rejection of the District’s return as a member. However, according to the Superintendent, the District learned of the rejection in a newspaper article stating that the JOC did vote to reject the District’s return as a Center member.

On August 25, 2010, the District’s Board voted 4-3 against rejoining the Center under the existing Agreement without conditions, causing an impasse between the District and the Center. However, when the issue came up for approval again on January 19, 2011, the District’s Board voted unanimously to return to the Center as a member district under the current Articles of Agreement retroactive to July 1, 2010.

The taxpayers have the right to expect that the District’s Board will spend their money as judiciously as possible. Moreover, the Board should only make decisions about

increasing expenditures after thoroughly examining all of the potential consequences and carefully exploring all the possible options for avoiding the increase.

In this instance, it does not appear that the Board exhausted all of its options for avoiding additional tuition expenses. For example, the Board could have continued to address their concerns to the Center or explored other options, while still enjoying the Center's member tuition rates. In addition, it should have weighed the cost of the Center's tuition increase against the cost of the center not meeting its additional demands.

Recommendations

The *Wyoming Valley West School District* should:

1. Ensure that decisions about increasing expenditures are only made after a thorough examination of the potential consequences and a careful exploration of all the possible options for avoiding the increase. If the decision is made by the District's Board, the discussion as why the increase was approved should be documented in the board meeting minutes.
2. Consider the taxpayers' expectation that their money will be used wisely for the education of the District's children when approving or rejecting agreements.

Management Response

Management waived the opportunity to reply to the observation at the time of audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Wyoming Valley West 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:

The Honorable Tom Corbett
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The Honorable Carolyn Dumaesq
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This report is a matter of public record and is available online at 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.

