

TAMAQUA AREA SCHOOL DISTRICT
SCHUYLKILL COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2012



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Larry A. Wittig, Board President
Tamaqua Area School District
138 West Broad Street
Tamaqua, Pennsylvania 18252

Dear Governor Corbett and Mr. Wittig:

We conducted a performance audit of the Tamaqua Area School District (TASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 19, 2009 through March 2, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 TASD 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. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

December 20, 2012

cc: **TAMAQUA 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 Tamaqua Area School District (TASD). 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 March 19, 2009 through March 2, 2012, 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 2009-10 and 2008-09.

District Background

The TASD encompasses approximately 123 square miles. According to 2010 federal census data, it serves a resident population of 16,253. According to District officials, in school year 2009-10 the TASD provided basic educational services to 2,076 pupils through the employment of 164 teachers, 106 full-time and part-time support personnel, and 10 administrators. Lastly, the TASD received more than \$10.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the TASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement. Our audit of TASD's pupil membership reports submitted to the Pennsylvania Department of Education for the 2009-10 school year found reporting errors as well as the lack of internal controls (see page 6).

Status of Prior Audit Findings and Observations. Our audit of TASD resulted in 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 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 March 19, 2009 through March 2, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 TASD'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:

- ✓ 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?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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 does 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?
- ✓ Is the District taking 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 members free from apparent conflicts of interest?

Methodology

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

TASD 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

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

objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

Additionally, we interviewed selected administrators and support personnel associated with TASD operations.

Findings and Observations

Finding

Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement

Criteria relevant to the finding:

According to PDE's 2009-10 *PIMS User Manual*, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. 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; LEP 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 (FISCAM)*, 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.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' 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. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Our audit of the Tamaqua Area School District's (TASD) pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors as well as a lack of internal controls. TASD personnel inaccurately reported the membership for children placed in private homes, parent-paid tuition, and tuition waiver students. The lack of internal controls resulted in the TASD failing to reconcile preliminary data reports from PDE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days for children placed in private homes were underreported by 43 days for kindergarten, 713 days for elementary, and 922 days for secondary. Furthermore, a parent-paid tuition student was reported as a resident student for 179 days and two tuition waiver students were also reported as resident students for 358 days.

The incorrect reporting of children placed in private homes resulted in the TASD being underpaid \$82,941. Membership days for the three students that were incorrectly reported as resident students will be adjusted by PDE to determine if the District's subsidies were affected.

Criteria relevant to the finding:

Section 2503 (c) provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Membership data for nonresident children placed in private homes and institutions must be maintained and reported accurately and in accordance with PDE guidelines and instructions, since this is a major factor in determining the district's reimbursement.

The errors were due to T ASD personnel reporting the incorrect codes for the district of residence of the students' biological parents. Since no designation code was entered at the time of enrollment, they automatically defaulted to T ASD building codes and students were then designated as residents in the T ASD's membership data software before the data was uploaded to PIMS.

PDE has been provided a report detailing the errors for use in recalculating the T ASD's subsidy.

Recommendations

The *Tamaqua Area School District* should:

1. Establish a procedure to ensure that the correct code for the district of residence is entered into the T ASD's membership data software at the time of enrollment.
2. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
3. Verify that the preliminary reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the final reports from PDE are correct.

The *Pennsylvania Department of Education* should:

4. Revise all reports that have been incorrectly completed and adjust all Districts subsidies/reimbursement affected by the errors.

Management Response

Management stated the following:

We agree with this finding. During the audit period the method in which we were required to submit our child accounting to PDE transitioned from the CAD program to the newly implemented PIMS program. As part of that transition, MMS, our pupil management software vendor, released modifications to the data screens to accommodate the PIMS file upload. Data that was input in the student record to indicate residency status did not transfer automatically to the PIMS tab and we were unaware of this deficiency. We should have also maintained residency status and type in the newly created PIMS tab. In the absence of doing so, the software's default process was to classify a student as a resident of the district. Students who were incorrectly classified in previous years were reset to resident status. When files were uploaded to the PIMS site the district received a transmission that was error free and believed the data to be accurate.

We did not become aware of the necessity to have to maintain duplicate residency information in the student master file until our records were reviewed by the department's auditor.

Our administrative team and technology staff met to determine the cause of the incorrect classification of residency and to also determine the appropriate method to classify students. Effective immediately the attendance coordinator will be the individual responsible for maintaining residency as well as non-resident classification. Reports from MMS, including the PIMS section, will be reviewed by attendance coordinator and building principals on a quarterly basis and upon final submission. The confirmation reports for the data will be reviewed by all parties as soon as available and revisions will occur as necessary. Information regarding changes in the resident status of a student are forwarded to the attendance coordinator and the appropriate resident code will be assigned by only one staff member.

Status of Prior Audit Findings and Observations

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



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:

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

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Nichole Duffy
Director, Bureau of Budget and
Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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