

PERFORMANCE AUDIT

Central York School District York County, Pennsylvania

October 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Michael Wagner, Board President
Central York School District
775 Marion Road
York, Pennsylvania 17406

Dear Governor Corbett and Mr. Wagner:

We conducted a performance audit of the Central York 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 3, 2010 through June 6, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. 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, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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 black ink that reads "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

October 30, 2014

cc: **CENTRAL YORK 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 Central York School District (District) in York County. 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 3, 2010 through June 6, 2014, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 25 square miles. According to 2010 federal census data, it serves a resident population of 37,583. According to District officials, the District provided basic educational services to 5,567 pupils through the employment of 399 teachers, 294 full-time and part-time support personnel, and 32 administrators during the 2011-12 school year. The District received \$14.4 million 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, except for one (1) compliance related matter reported as a finding.

Finding: Errors in Student Data Reporting Resulted in a Subsidy Underpayment of \$89,063.

Our audit of the Central York School District's (District) pupil membership reports found errors in the non-resident student membership data reported to the Pennsylvania Department of Education (PDE) for the 2009-10 school year. As a result of the District incorrectly reporting non-resident data, PDE underpaid the District \$89,063 in state subsidy (see page 5).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Central York School District (District) from an audit released on May 17, 2011, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to possible certification deficiencies (see page 9). The District also had taken appropriate corrective action in implementing our recommendations pertaining to school bus driver qualification deficiencies (see page 10).

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 December 3, 2010 through June 6, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through April 9, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 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?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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?
- ✓ 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?

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an

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.

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 controls 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.

To determine the status of our audit recommendations made in a prior audit report released on May 17, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Errors in Student Data Reporting Resulted in a Subsidy Underpayment of \$89,063

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 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 State 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.

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 individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (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 audit of the Central York School District's (District) pupil membership reports for the 2008-09, 2009-10, 2010-11, and 2011-12 school years found errors in the non-resident student membership data reported to PDE for the 2009-10 school year. As a result of the District incorrectly reporting non-resident data, PDE underpaid the District \$89,063 in state subsidy.

Non-Resident Membership Days

Seventeen (17) non-resident foster children who were educated by the District were reported to PDE as non-resident foster children. However, the District reported itself as the district of residence instead of the name of the district of residence for the children's natural/custodial parents' district of residence. PDE's Summary of Child Accounting Membership (SCAM) report did not include any membership on the SCAM report for these seventeen (17) non-resident foster children. When the District incorrectly reported the District as the district of residence for these seventeen (17) students,

Criteria relevant to the finding (continued):

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.

PDE's PIMS system did not process these students as non-residents or residents. A District non-resident student must have a district of residence other than the District. The District did complete a reconciliation of student membership classifications and membership days between the District's Student Information System (SIS), which is the child accounting data system used to report membership to PDE and PDE's Instructional Time and Membership Report (ITMR). However, the District's failure to reconcile the ITMR to the SCAM report allowed this error to go undetected until our audit.

The District's foster children non-resident membership was understated by 24 half-time kindergarten, 442 elementary, and 1,421 secondary days for the 2009-10 school year due to incorrectly reporting the district of residence.

PDE failed to recognize that PIMS did not process pupil membership days for students who were reported as non-resident foster children with the same district of residence and funding district.

It is the responsibility of District management to have proper internal policies and procedures in place to ensure that student data is accurately collected and reported timely. Without such internal controls, the District cannot be assured that it is reporting the correct data to PDE, or that it is receiving the correct subsidy.

Recommendations

The *Central York School District* should:

1. Ensure a reconciliation of the ITMR and SCAM reports are done in addition to the reconciliation of membership data between the District's SIS and PDE's ITMR reports.
2. Establish review procedures to ensure that all non-resident student data is accurately reported to PDE.
3. Review membership reports for the 2012-13 and 2013-14 school years and, if errors are found, submit revised reports to PDE.

4. Reconcile state subsidy payments for non-resident foster children to membership reports to ensure the District is receiving the appropriate amount of subsidy from PDE.

The *Pennsylvania Department of Education* should:

5. Adjust the District's allocations to resolve the underpayment of \$89,063.
6. Review its pupil membership processing procedures to ensure changes to the reporting system, such as PIMS, which was mandated during the 2009-10 school year to accurately process membership data. Undetected systematic errors in PIMS could have statewide effects on local educating agencies, which are required to report pupil membership data in this system.

Management Response

Management stated the following:

“The Central York School District incorrectly coded 17 nonresident foster students as residents of our district for the 2009-10 school year, which was the first year that the data was collected through the new PIMS process. We did not receive subsidy from PDE for these membership days. These students should have been coded to the parents' district of residence rather than to Central York School District. The district corrected this error with PDE and will receive the subsidy payment due to the district.

Corrective Action:

The district reconciles the Instructional Time and Membership Report (ITMR) and the Summary of Child Accounting Membership (SCAM) reports and also reconciles our Student Information System (SIS) with PDE's Instructional Time and Membership Report. We also run reports of nonresident foster students to ensure that none of them are coded as residents of Central York School District.

Internal controls are in place so that child accounting and PIMS personnel review all data and complete reconciliations to ensure that the information submitted to

PIMS is accurate as possible so that the district receives the appropriate subsidy.

All subsequent years were reviewed and filed accurately.”

Auditor Conclusion

We are encouraged that the District is working to address the deficiencies in PIMS reporting. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Central York School District (District) released on May 17, 2011, resulted in two (2) reported findings. The first finding pertained to certification deficiencies, and the second finding pertained to bus driver qualification deficiencies. 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 District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings. As shown below, the District did implement our recommendations related to the two (2) findings.

Auditor General Performance Audit Report Released on May 17, 2011

Finding No. 1: Certification Deficiencies

Finding Summary: Our prior audit of professional employees' certification and assignments for the period June 6, 2007 through November 17, 2010, found that the District continued to employ an individual, cited in our prior audit and confirmed as a deficiency by PDE's Bureau of School Leadership and Teacher Quality as a social worker who did not hold any certification nor was this individual supervised by a certified Home and Social Visitor as required by Certification and Staffing Policies and Guidelines No. 77.

Additionally, the District employed two (2) other individuals as social workers, who did not hold any Pennsylvania certifications.

Recommendations: Our audit finding recommended that the District should:

Continue to ensure that social workers are properly certified or supervised by an individual who holds Home and Social Visitor certification.

We also recommended that PDE should:

Adjust the District's allocations to recover the subsidy forfeitures.

Current Status: During our current audit, we found that the District did implement our recommendation.

In addition, PDE did recover \$13,190 of subsidy forfeitures from the District on December 29, 2011.

Finding No. 2: School Bus Driver Qualification Deficiencies

Finding Summary: Our prior audit of personnel records for current bus drivers employed by the District's transportation contractor found that twelve (12) school bus drivers were employed prior to obtaining the proper clearances.

Recommendations: Our audit finding recommended that the District should:

1. Review all drivers' files to ensure that all required bus driver qualification documentations are up-to-date and complete.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Establish procedures to obtain and retain required qualifications for all drivers which transport students. This procedure should also ensure that the District's files are up-to-date and complete.

Current Status: During our current audit, we found that the District implemented our recommendations.

Distribution List

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

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

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
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. 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.