

# PERFORMANCE AUDIT

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## Wattsburg Area School District Erie County, Pennsylvania

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October 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Kenneth Berlin, Superintendent  
Wattsburg Area School District  
10782 Wattsburg Road  
Erie, Pennsylvania 16509

Mrs. Nancy McNally, Board President  
Wattsburg Area School District  
10782 Wattsburg Road  
Erie, Pennsylvania 16509

Dear Mr. Berlin and Mrs. McNally:

We conducted a performance audit of the Wattsburg Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). We also evaluated the application of best practices in the area of school safety. Our audit covered the period November 6, 2012 through September 23, 2015, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 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 the one audit 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

October 8, 2015

cc: **WATTSBURG AREA SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the District. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as well as whether the District applied best practices related to school safety.

Our audit scope covered the period November 6, 2012 through September 23, 2015, 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 2010-11 and 2011-12 school years.

### **District Background**

The District encompasses approximately 143 square miles. According to 2010 federal census data, it serves a resident population of 10,358. According to District officials, the District provided basic educational services to 1,536 pupils through the employment of 106 teachers, 112 full-time and part-time support personnel, and 12 administrators during the 2011-12 school year. The District received \$10.5 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 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 District's professional employees' certificates and assignments for the period September 15, 2012 through December 4, 2013, found that one individual was inappropriately assigned to an educational specialist position without possessing the proper certification for the 2012-13 and 2013-14 school years (see page 7).

**Observation: Logical Access Control Weaknesses.** The District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Based on our internal control review, we determined that the District did not have formal information technology (IT) policies and procedures in place; a recommendation that was made by the District's independent auditors in two prior reports (see page 10).

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

## Audit Scope, Objectives, and Methodology

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### 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, PDE, 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 (PSC) 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 6, 2012 through September 23, 2015. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 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. More specifically, we sought to determine answers to the following questions, which serve as our audit objectives:

- ü Were professional employees certified for the positions they held?
  - o To address this objective, auditors reviewed and evaluated certification documentation for all 120 teachers and administrators that did not have permanent certificates, were newly hired, or changed assignment from September 15, 2012 through December 4, 2013.

- Ü In areas where the District received state subsidies and reimbursements based on non-resident pupil membership, did it follow applicable laws,<sup>1</sup> regulations, and procedures?
  - To address this objective, auditors reviewed placement information on all 15 of the District’s non-resident students for the 2012-13 school year.
  
- Ü In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable laws<sup>2</sup> and procedures?
  - To address this objective, the auditors reviewed 8 of the 26 total District buses. For each bus, auditors reviewed various data, including board approval of routes, manufacturer, serial number, year of manufacture, and seating capacity as required.
  
- Ü Did the District ensure that bus drivers transporting District children had the necessary license, physicals, training, background checks, and clearances as outlined in applicable laws,<sup>3</sup> and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected ten drivers employed from November 6, 2012 through September 23, 2015, and determined whether the drivers had the necessary licenses, physicals, training, background checks, and clearances. The review included both district-employed and contractor-employed drivers, as appropriate.
  
- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that

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<sup>1</sup> 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306, and 22 *PA Code Chapter 11*.

<sup>2</sup> 24 P.S. § 25-2541.

<sup>3</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

these processes included requesting background checks and clearances.

- Ü Were votes made by the District’s Board of School Directors free from apparent conflicts of interest?
  - To address this objective, auditors reviewed all ten of the sitting and recent board members’ employment histories and Statements of Financial Interest and also reviewed board meeting minutes and any known outside relationships with the District for the 2012 and 2013 calendar years.
  
- Ü Did the District ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable for the most current year available?
  - To address this objective, the auditors selected all five school terms reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template.
  
- Ü Did the District take appropriate steps to ensure school safety?

To address this objective:

- The auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District followed best practices in school safety and applicable laws.<sup>4</sup> Generally, the auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

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<sup>4</sup> 24 P.S. §§ 13-1302-A, 1302.1-A, 13-1303-A, and 13-1303.1-A.

- In addition, the auditors conducted on-site reviews at all three of the District’s school buildings (one from each education level) to assess whether they had implemented basic physical safety practices based on national best practices.

**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 certain relevant state 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 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 understanding of the District’s internal controls, including any IT 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, 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.

## Findings and Observations

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### Finding

*Criteria relevant to the finding:*

Section 1202 of the PSC, 24 P.S. § 12-1202, provides, in part:

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

Section 2518 of the PSC, 24 P.S. § 25-2518, provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of Department of Education but who has not been certificated for his position by 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 District’s professional employees’ certificates and assignments for the period September 15, 2012 through December 4, 2013, found that one individual was inappropriately assigned to an educational specialist position without possessing the proper certification for the 2012-13 and 2013-14 school years. This error was caused by the District reliance on guidance from the Northwest Tri-County Intermediate Unit 5 (Intermediate Unit) regarding the staffing of this position and based on the District’s reliance on the Intermediate Unit’s interpretation of certification qualifications for the assignment. Neither the District nor the Intermediate Unit received written verification from PDE.

Information pertaining to the assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), PDE, for its review. On February 24, 2014, BSLTQ determined that the employee was improperly assigned. The District is subject to a subsidy forfeiture of \$2,248 for the 2012-13 and \$2,276 for the 2013-14 school year.

It is the responsibility of District management to have in place internal policies and procedures to ensure that employees are both properly certified and up-to-date with their certification. A lack of appropriate internal controls can lead to uncertified persons teaching classes and a loss of a portion of the District’s state subsidy.

### Recommendations

The *Wattsburg Area School District* should:

1. In conjunction with BSLTQ’s determination, require District administrative personnel to ensure that an individual’s certification(s) meet the requirements of the assignments the District intends to assign to the individual.

The *Pennsylvania Department of Education* should:

2. Based on the determination by BSLTQ, PDE should adjust the District's allocations to recover the subsidy forfeitures, accordingly.

### **Management Response**

Management stated the following:

“The management disagrees with this finding as all school districts must employ a counselor to serve in a position of this nature and function as directed by the statutes of Pennsylvania:

‘Statutory authority for this is found in 24 P.S. § 15-1547 which reads: On or before June 1, 1991, the Secretary of Education shall recommend to the General Assembly a plan to require and assist each school district to establish and maintain a program to provide appropriate counseling and support services to students who experience problems related to the use of drugs, alcohol and dangerous controlled substances. The Secretary’s plan which was submitted to the General Assembly on April 19, 1991, designates the Student Assistance Program as the vehicle for providing counseling and support services for students. On December 3, 2005, the State Board of Education amended Chapter 12 regulations that address student rights and responsibilities and student services to incorporate the requirement for student support services plan and Student Assistance Programs.’

### **Justification**

- Although the title of this employee is broad, the essential function of this position is to provide Student Assistance Program Services / Counseling as required by law.
- This employee was hired into the District initially approximately 10 years ago with financial assistance from the Pennsylvania Department of Education grant that encouraged expansion of Student Assistance Program mental health services in schools.

- The District has been audited many times since this position was created and staffed and has never received a finding regarding a required certification for a Student Assistance Program Counselor.
  
- The district position requires and the employee has:
  - Master Degree
  
  - PDE Student Assistance Program Certification
  
  - American Counseling Association Credentials (licensed counselor)
  
- Without exception, all other school districts in the IU#5 area employ mental health counselors in the aforementioned capacity through local behavioral and mental health agencies (subcontract). None of these counselors are subject to PDE required certification as these mental health specialists work for a private agency not subject to school district audit procedures or standards.”

**Auditor Conclusion**

The final determination of the certification deficiencies is made by PDE’s BSLTQ. As stated previously, that determination was made on February 24, 2014, and the employee in question was found by PDE to not be properly certified. Therefore, we stand by our finding.

## Observation

*What is logical access control?*

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to Internal control procedures used for identification, authorization, and authentication to access the computer systems.

## Logical Access Control Weaknesses

The District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Based on our internal control review, we determined that the District did not have formal IT policies and procedures in place.

The Independent Auditor Reports (IARs), for fiscal years 2010-11, 2011-12, and 2012-13, all noted that the District has informal policies which guide personnel and IT staff in creating and changing employee passwords, suspending terminated employee account access, and routine workstation and server audit policy and data security. The IARs stated the District should formalize these policies and procedures. During the current audit period, District personnel indicated they were in the process of developing new policies and procedures. As of September 8, 2015, the IT coordinator had no explanation as to why the recommendations of the IAR were not addressed, saying that was under a prior administration and that the current administration is following through on the recommendations.

Reliance on manual compensating controls could become increasingly problematic if the District would ever experience personnel changes that could reduce the effectiveness of the informal policies and procedures in place.

## Recommendation

The *Wattsburg Area School District* should:

Implement formal IT policies and procedures to address the logical access control weaknesses.

## Management Response

Management stated the following:

“Until the 2013-14 school year, the District subcontracted the Technology Services through the local Intermediate Unit #5. After taking over this service with District employees, the District became aware of the lack of

standard operating procedures for this department. The District is currently in the process of drafting a standard operating procedure manual for the technology department. The District expects these procedures to be adopted by the school board prior to the end of the 2015-16 school year.”

**Auditor Conclusion**

We are pleased to learn that the District is in the process of creating formal IT policies and procedures. We will review these policies and procedures and their effectiveness during our next audit of the District.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the District did not include any findings or observations.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

**The Honorable Tom Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Timothy Reese**

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Harrisburg, PA 17120

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This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).