

LIMITED PROCEDURES ENGAGEMENT

Midwestern Intermediate Unit 4 Mercer County, Pennsylvania

December 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Wade Killmeyer, Executive Director
Midwestern Intermediate Unit 4
453 Maple Street
Grove City, Pennsylvania 16127

Mr. Cedric Butchy, Board President
Midwestern Intermediate Unit 4
453 Maple Street
Grove City, Pennsylvania 16127

Dear Dr. Killmeyer and Mr. Butchy:

We conducted a Limited Procedures Engagement (LPE) of the Midwestern Intermediate Unit 4 (Intermediate Unit) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period July 1, 2012 through June 30, 2015. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code, 72 P.S. § 403, but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As we conducted our LPE procedures, we sought to determine answers to the following questions, which serve as our LPE objectives:

- Did the Intermediate Unit have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - The Right-to-Know Law
 - The Sunshine Law
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the Intermediate Unit comply with the relevant requirements in the Right-to-Know Law and the Sunshine Law?
- Did the Intermediate Unit take appropriate corrective action to address the findings made in our prior audit, and were the actions taken into effect?

Dr. Wade Killmeyer
Mr. Cedric Butchy
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Our engagement found that the Intermediate Unit properly implemented policies and procedures for the areas mentioned above and complied, in all significant respects, with relevant requirements.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eugene A. DePasquale
Auditor General

December 23, 2015

cc: **MIDWESTERN INTERMEDIATE UNIT 4** Board of School Directors

Status of Prior Findings

Prior Finding No. 1

Improperly Comingled State and Federal Funds Resulted in Reimbursement Overpayments of \$18,633

Prior Finding Condition

Our prior audit found that the Intermediate Unit improperly reported federal wages for reimbursement from the state for Social Security, Medicare, and retirement costs. Reported wages paid with federal funds are not eligible for these reimbursements.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Revise its budgetary process to ensure costs/expenses attributed to non-public school students are not combined into a single account.
2. Contact the Pennsylvania Department of Education (PDE) or its local independent auditor to obtain training for its staff regarding appropriate budgeting processes, and establish internal controls to ensure that all program budgets are in compliance with applicable state and federal requirements.
3. Comply with PDE instructions when reporting wages paid by federal funds.
4. Perform an internal review of reports submitted after the 2010-11 and 2011-12 school years to see if additional errors were made.

We also recommended that PDE should:

5. Withhold the reimbursement overpayments of \$18,633 from the Intermediate Unit.

Current Status

The Intermediate Unit complied with our prior recommendations. Beginning in 2012-13, the Intermediate Unit revised its budgetary process and non-public school expenses/costs are now reported separately. Federal wages are no longer reported for reimbursement. Also, a whole new budgetary process regarding these funds was instituted in the 2012-13 school year. PDE had not withheld the reimbursement overpayments as of November 19, 2015.

Prior Finding No. 2

Failure to Provide Adequate Financial Information to the Intermediate Unit Board

Prior Finding Condition

Our prior audit found that the Intermediate Unit failed to provide its Board of School Directors (Board) with a monthly treasurer's report as required by the Public School Code (PSC). In addition, the Board failed to vote on line-item budgetary adjustments and amendments.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Review the applicable sections of the PSC to develop an appropriate treasurer's report for board presentation and approval.
2. Implement the necessary procedures to ensure that budgetary adjustments and/or amendments are timely presented and approved by the Board, and that this approval is documented in the board meeting minutes.

Current Status

The Intermediate Unit complied with our prior recommendations immediately after our prior audit. The Board is now presented an appropriate treasurer's report at every meeting. Also, the Board approves all budgetary adjustments and/or amendments.

Prior Finding No. 3

Contracting Policy Violated the Public School Code and Contributed to Lax Contractor Oversight

Prior Finding Condition

Our prior audit found that only transportation contracts were approved by the Board. All other contracts and agreements were processed through a board resolution, which authorized the Executive Director to execute contracts on the Intermediate Unit's behalf, without board review or approval.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Require the Director to present, for board review and approval, all Intermediate Unit contracts, thus ensuring that the Intermediate Unit is in compliance with the PSC, and that the Board is properly overseeing the Intermediate Unit's contacting process.
2. Establish policies governing appropriate contract execution and monitoring and institute procedures to properly carry out these policies. These procedures should include the comparison of all

invoices to the terms of the corresponding contract, prior to payment, in order to ensure the Intermediate Unit was billed for the correct amount.

3. Ensure all contracts/agreements are properly executed, including having all the appropriate signatures from the Intermediate Unit and the vendor.
4. Ensure all contracts/agreements are current and on file at the Intermediate Unit.

Current Status

The Intermediate Unit complied with our prior recommendations beginning with the 2012-13 school year. The Board currently reviews and approves all contracts over \$100. The Intermediate Unit now has accounting policies that govern all contracts that include our specific recommendations. All contracts have Intermediate Unit and vendor signatures. Also, all contracts are on file in the Executive Director's office.

Prior Finding No. 4

Failure to Obtain Required Non-Resident Student Information for Membership Reporting and Incorrect Reporting of Special Education Time

Prior Finding Condition

Our prior audit found that the Intermediate Unit incorrectly reported its non-resident membership data for 26 students who were either under guardianship, foster children, or institutionalized. In addition, our audit also found that the Intermediate Unit incorrectly reported the percentage of time students spent in special education instruction versus the time they spent in mainstream classes.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Continue to follow-up with the identified school districts to obtain all authorized documentation for non-resident students that are under guardianship, foster children, or institutionalized.
2. Work in conjunction with the school districts to ensure that regular and special education time percentages are accurately reported and do not exceed 100 percent.
3. In conjunction with PDE, prepare and report the identified corrections.

4. Continue to develop written procedures to ensure that all required student registration information is timely received and that regular and special education time percentages are correctly computed.
5. Review and implement corrective action for the 2012-13 school year regarding student registration reporting to ensure that information submitted to the Pennsylvania Information Management System (PIMS) is accurate.

We also recommended that PDE should:

6. Assist the Intermediate Unit in correcting their non-residency membership errors to ensure appropriate amendments of participating school districts' subsidies.

Current Status

The Intermediate Unit complied with our prior recommendations. The Intermediate Unit continued to follow-up with identified school districts. Procedures are now in place to work in conjunction with school districts to obtain the proper data. Written procedures were implemented after our last audit to more accurately track and report PIMS data. These corrective actions were implemented January 31, 2013. Intermediate Unit staff are now instructed to confer with PDE if any questions arise.

Prior Finding No. 5

Intermediate Unit Failed to Effectively Manage Its Transportation Program

Prior Finding Condition

Our prior audit found that the Intermediate Unit did not have the necessary procedures in place to ensure that its transportation program, including the activities of its associated contractors, was properly managed.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Require that it enter into written contracts for transportation services and that these contracts be reviewed by the solicitor and approved by the Board.
2. Require all contractors to provide a list of and copy of the associated registration card for all vehicles to be utilized in the transportation program for board approval, record retention, and accuracy of data reported to PDE.

3. Require the transportation manager to work in conjunction with involved contractors on route descriptions and mileage for runs to and from schools prior to the Board's approval of the contract.
4. Implement written procedures relating to the review and input of documentation submitted by the contractor to ensure propriety of information and data input including managerial review and questioning of inconsistencies or changes.
5. Require the transportation manager to work with the member school districts to determine cost trends and perform the necessary negotiations with contractors to ensure that the quoted rates are the lowest available.
6. Require that contractor invoices are matched to submitted transportation reports to ensure that the listed number of runs and costs are fully supported by records received.
7. Require the transportation manager or the special education supervisor to approve transportation invoices prior to payment.

Current Status

The Intermediate Unit complied with our prior recommendations. All contracts are now written and approved by the Board. Copies of all registration cards are provided by the contractor. Route descriptions are discussed and written procedures were implemented. The transportation manager is in frequent contact with contractors regarding costs. Invoices are matched to reports and supporting documentation is reviewed. All payments are approved by the transportation manager.

Prior Finding No. 6

Failure to Have All School Bus Drivers' Qualifications on File.

Prior Finding
Condition

Our prior audit found that the Federal Bureau of Investigation background checks were not kept on file for all of the contracted drivers. In addition, 13 board-approved drivers had not returned the mandatory PDE Arrest/Conviction Report and Certification by the required date. It should be noted that after we brought this to the attention of the Intermediate Unit all proper documentation was acquired before the end of our last audit.

Prior
Recommendations

We recommended that the Intermediate Unit should:

1. Match currently approved bus drivers to Intermediate Unit driver files to ensure that all drivers' records are complete and up-to-date.
2. Consult with the Intermediate Unit's Human Resources Director to determine the ramifications of non-compliance and whether board approvals of drivers should be revoked until compliance is obtained.
3. Request the Intermediate Unit's solicitor to review the transportation contracts to assess the appropriateness of the agreement provisions and the regulatory requirements.
4. Require hired contractors to provide verification of drug testing to ensure compliance with guidelines.
5. Confine responsibility to confirm bus drivers' compliance to either the Intermediate Unit's transportation department or the human resources department, to avoid future miscommunications and internal control.

Current Status

All currently approved drivers' records are complete and up-to-date. No board approval of drivers is given unless all records are complete and timely. According to the Business Manager, the solicitor reviewed the standard transportation contract for appropriateness. All transportation data, including bus drivers' qualifications, are kept in the transportation manager's office.

Distribution List

This letter was initially distributed to the Executive Director of the Intermediate Unit, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
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Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
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The Honorable Timothy Reese

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