

LIMITED PROCEDURES ENGAGEMENT

Northwest Tri-County Intermediate Unit 5 Erie County, Pennsylvania

January 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Frederick Johnson, Executive Director
Northwest Tri-County Intermediate Unit 5
252 Waterford Street
Edinboro, Pennsylvania 16412

Mr. George Trauner, Board President
Northwest Tri-County Intermediate Unit 5
252 Waterford Street
Edinboro, Pennsylvania 16412

Dear Dr. Johnson and Mr. Trauner:

We conducted a Limited Procedures Engagement (LPE) of the Northwest Tri-County Intermediate Unit 5 (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. Frederick Johnson
Mr. George Trauner
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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.

We appreciate the Intermediate Unit's cooperation during the conduct of the engagement.

Sincerely,

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

Eugene A. DePasquale
Auditor General

January 14, 2016

cc: **NORTHWEST TRI-COUNTY INTERMEDIATE UNIT 5** Board of School Directors

Status of Prior Findings and Observations

Prior Finding No. 1

Certification Deficiency

Prior Finding Condition

Our prior audit of professional employees' certificates and assignments for the period July 1, 2010 through January 25, 2013, found one employee was assigned to a professional position without having the required certification.

Prior Recommendations

We recommended that the Intermediate Unit should:

1. Put procedures in place to compare employee's certification to the certification requirements of the assignments the Intermediate Unit intends to give the employee.
2. Require the employee to obtain proper certification as required for the position or reassign the individual to an area in which proper certification is held.

We also recommended that the Pennsylvania Department of Education (PDE) should:

3. Recover the subsidy forfeiture resulting from the certification deficiency.

Current Status

The position in question was eliminated in the 2013-14 school year. Also, the Intermediate Unit has implemented our recommendations by evaluating all of their job descriptions and meeting with program staff to ensure that the essential functions matched their actual job responsibilities. PDE withheld \$2,499 in subsidies from the Intermediate Unit on June 1, 2015.

Prior Finding No. 2

Intermediate Unit Failed to Maintain Proper Financial Operations

Prior Finding Condition

Our prior audit of the Intermediate Unit's financial operations noted the failure to comply with the Public School Code (PSC) regarding budgetary procedures, the failure to have separate individuals in the positions of Board Treasurer and Finance Director, and the holding of revenue belonging to the participating districts.

Prior Recommendations

We recommended that the Intermediate Unit's Board of School Directors (Board) should:

1. Require the Intermediate Unit's Finance Director provide the Board, at each scheduled meeting, a detailed and updated status of revenues, account balances, and program expenditures, along with a comparison of actual vs. budget for the current year and prior year.
2. Institute a policy that prohibits the Board from voting on an annual budget that does not include all General Fund expenditures.
3. Submit to PDE a General Fund budget by May 1st, as required by the PSC, which should include budgeted expenditures for each program offered by the Intermediate Unit.

We also recommended that the Intermediate Unit should:

4. Properly advertise the budget, as required by the PSC.
5. Implement the board-approved action plan, including appointing an independent Board Treasurer.
6. Follow through with the approved forensic audit report's recommended corrective actions, including returning \$9,035,485 to the participating school districts, eliminating inappropriate contingency and deferred revenue funds, and establishing budget calculations for all program fees.
7. Provide periodic status updates to the Board and to the general public regarding the Intermediate Unit's progress in implementing the forensic audit's recommendations.

Current Status

Our current engagement found that the Intermediate Unit implemented our recommendations. Beginning in December 2013, the Intermediate Unit's Finance Director provides, at each monthly board meeting, expense and revenue reports with actual vs. budget for the current and prior year, a treasurer's report with beginning and ending balances, and a detailed listing of bills. On February 26, 2014, the Board adopted Policy #604 – "Budget Adoption," which represents the Board's spending plan for all proposed expenditures. We found that the Intermediate Unit's General Fund budgets were filed by May 1st for the 2012-13, 2013-14, and 2014-15 school years and were properly advertised as required by the PSC for the 2014-15 and 2015-16 school years. On

January 22, 2014, the Board appointed an independent Board Treasurer and on March 1, 2013, the Intermediate Unit returned \$9,035,485 to the participating school districts.

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
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

State Treasurer
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Mrs. Danielle Mariano

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This letter is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the letter 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.