

WASHINGTON SCHOOL DISTRICT
WASHINGTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2009

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. David M. Stotka, Board President
Washington School District
201 Allison Avenue
Washington, Pennsylvania 15301

Dear Governor Rendell and Mr. Stotka:

We conducted a performance audit of the Washington School District (WSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 10, 2007 through October 24, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. 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 WSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

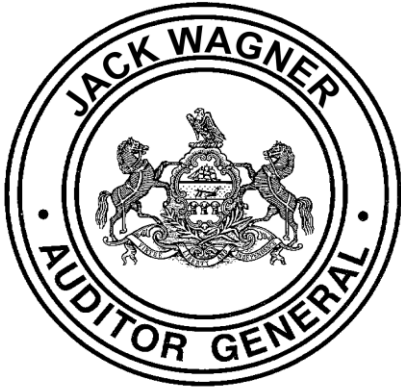
JACK WAGNER
Auditor General

July 29, 2009

cc: **WASHINGTON 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 Washington School District (WSD). Our audit sought to answer certain questions regarding the District's compliance with applicable 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 January 10, 2007 through October 24, 2008, 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 2005-06 and 2004-05, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

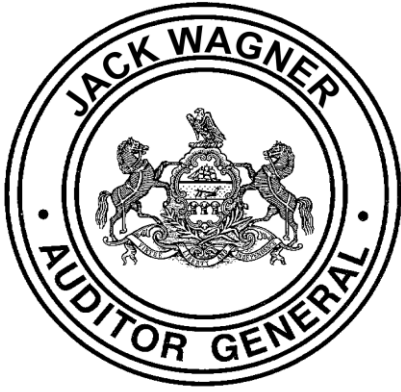
The WSD encompasses approximately 9 square miles. According to 2000 local census data, it serves a resident population of 15,268. According to District officials, in school year 2005-06 the District provided basic educational services to 1,825 pupils through the employment of 161 teachers, 80 full-time and part-time support personnel, and 8 administrators. Lastly, the WSD received more than \$11.7 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the WSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Memorandum of Understanding Not Updated Timely. The Memorandum of Understanding between the WSD and the City of Washington Police Department has not been updated since 2004 (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the WSD had taken appropriate corrective action in implementing our recommendations pertaining to violations of the Public Official and Employee Ethics Act (see page 8).



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 January 10, 2007 through October 24, 2008, except for the verification of professional employee certification which was performed for the period July 1, 2006 through June 30, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 DE 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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WSD's compliance with applicable 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?

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 law, regulation, 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.

- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do 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 which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

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 applicable 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

WSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

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 membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 14, 2007, we reviewed the WSD's response to DE dated August 17, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Criteria relevant to this observation:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with the local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU to be used by school entities. Section VI, General Provisions item (B) of the sample states:

This MOU may be amended, expanded, or modified at any time upon the written consent of the parties, but in any event must be re-executed within two years of the date of the original execution and every two years thereafter.

Memorandum of Understanding Not Updated Timely

Our review of the District's records found the current Memorandum of Understanding (MOU) between the District and the City of Washington Police Department has not been reviewed and updated since 2004.

The failure to update the MOUs with local law enforcement could result in a lack of cooperation, direction, and guidance between District employees and local law enforcement if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Washington School District* should:

1. In consultation with the solicitor, update and re-execute the MOU between the District and local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

The district will correct the situation and update the Memorandum of Understanding with the City Police ASAP.

Status of Prior Audit Findings and Observations

Our prior audit of the Washington School District (WSD) for the school years 2003-04 and 2002-03 resulted in one reported finding. The finding pertained to violations of the Public Official and Employee Ethics Act. 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 Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the WSD did implement recommendations related to violation of Public Official and Employee Ethics Act.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	Implementation Status	
<p><u><i>I. Finding: Violations of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interest. 2. Develop procedures to ensure that all individuals required to file Statement of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our audit of District records found that two board members failed to file Statements of Financial Interests for calendar year 2003, and two other board members filed their 2005 statements late.</p>	<p>Current Status:</p> <p>Our current audit found that the District took the necessary corrective action to address this finding. Procedures have been developed to attempt to ensure all board members required to file the statements do so in a timely manner.</p> <p>Our current audit revealed all Statement of Financial Interests for calendar years 2007 and 2008 were filed timely.</p>

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:

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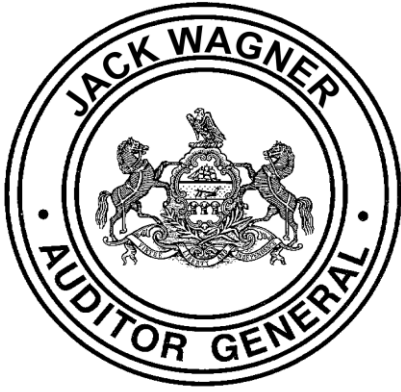
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