

WAYNE HIGHLANDS SCHOOL DISTRICT

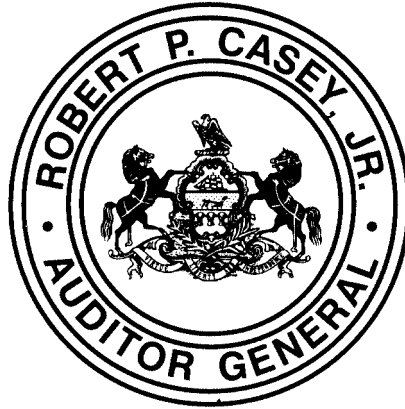
WAYNE COUNTY, PENNSYLVANIA

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

WITH FINDING AND RECOMMENDATIONS

THROUGH OCTOBER 10, 2001



WAYNE HIGHLANDS SCHOOL DISTRICT
WAYNE COUNTY, PENNSYLVANIA
AUDIT REPORT

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WAYNE HIGHLANDS SCHOOL DISTRICT
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The Honorable Mark S. Schweiker
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

We have audited the operations of Wayne Highlands School District for the years ended June 30, 2000 and 1999. Our objectives were:

- to ensure that the district received the funds from the state to which it was entitled;
- to determine if the district complied with state laws, regulations, contracts, and grants governing such entitlement and other state laws and regulations falling within the scope of our audit; and
- to determine if internal controls were adequate to help ensure the district's compliance with state laws and regulations governing such entitlement and other applicable laws and regulations falling within the scope of our audit.

In addition, we audited professional employees' certification for the period July 1, 1999 through June 30, 2001. Our objective was to determine if all administrators and teachers were properly certified for the positions they held.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States of America. In completing the audit, we evaluated and tested documents, files, reports, agreements, systems, and procedures that we considered necessary. We also interviewed selected administrators and operations personnel.

Our audit, required by 72 P.S. § 403, was limited to the areas of Wayne Highlands School District's operations relating to the objectives identified above.

Solely to assist us in planning and performing our audit, we made a study and evaluation of the internal controls of Wayne Highlands School District. Our audit was made for the limited purposes described above. Accordingly, we do not express an opinion on the internal controls taken as a whole.

The results of our tests indicate that certain weaknesses, as further discussed in the finding in this report, should be corrected. These weaknesses were factors in the district's noncompliance with certain regulations. We believe our recommendations, if implemented by the district, will help ensure compliance with applicable state laws and regulations and the appropriate entitlement of funds from the state.

This report is intended solely for the information and use of management, Wayne Highlands School District's Board of Directors, and Commonwealth agencies in determining the district's entitlement to funds received from the state and its compliance with state laws and regulations governing such entitlement and other applicable state laws and regulations falling within the scope of our audit. This report is not intended to be used for any other purposes and should not be used by anyone other than these specified parties.

October 10, 2001

Robert P. Casey, Jr.
Auditor General

WAYNE HIGHLANDS SCHOOL DISTRICT
WAYNE COUNTY, PENNSYLVANIA
AUTHORITY AND BACKGROUND

Authority

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by 24 P.S. § 1-101 et seq.

Background

The district, located in Wayne County, encompasses an area of approximately 435 square miles. It has a population of 19,729, according to the 1990 federal census. The administrative offices are at 474 Grove Street, Honesdale, Pennsylvania.

During 1999-2000, the district provided basic educational services to 3,448 pupils through the employment of 12 administrators, 236 teachers, and 113 full-time and part-time support personnel. Special education was provided by the district and the Northeastern Educational Intermediate Unit #19. Occupational training and adult education in various vocational and technical fields were provided by the district.

Expenditures for the years ended June 30, 2000 and 1999 were \$26,845,341 and \$25,986,128, respectively. Revenues supporting these expenditures were derived from local, state, and federal sources. Local revenues for 1999-2000 were primarily based on a 155 mill real estate levy, a 200 mill occupational tax, a \$10 per capita tax, and a 1/2 percent real estate transfer tax.

WAYNE HIGHLANDS SCHOOL DISTRICT
BACKGROUND (Continued)

Description of State Revenue Received

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Read to Succeed

Revenue received from the Commonwealth to ensure that all students learn to read and write by the end of the third grade.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred on account of instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy on account of vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2502.8 and 2507 of the Public School Code.

Driver Education

Revenue received from the Commonwealth as subsidy on account of conducting a standardized driver education program. Payments are made in accordance with Section 2504.1 of the Public School Code.

WAYNE HIGHLANDS SCHOOL DISTRICT
BACKGROUND (Continued)

Description of State Revenue Received (Continued)

Special Education

Revenue received from the Commonwealth as subsidy on account of expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy on account of pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment on account of approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy on account of health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and Act 25 health services.

Sewage Treatment Operations

Revenue received from the Commonwealth via the Department of Environmental Protection as subsidy for the annual operation costs of a sewage treatment plant. Payments are made in accordance with Act 339 of 1953.

Safe Schools

Revenue received from the Commonwealth as subsidy for Safe School programs.

Milk, Lunch and Breakfast Programs

Revenue received from the Commonwealth as subsidy for expenditures incurred in food and nutrition programs.

WAYNE HIGHLANDS SCHOOL DISTRICT
BACKGROUND (Continued)

Description of State Revenue Received (Continued)

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Technology Grants

Revenue received for technology initiatives that allow the schools to develop new information technology projects, such as upgrade of networks or improved computer hardware and software.

WAYNE HIGHLANDS SCHOOL DISTRICT

FINDING AND RECOMMENDATIONS

The finding and recommendations were reviewed with representatives of Wayne Highlands School District, and their comments have been included in this report.

WAYNE HIGHLANDS SCHOOL DISTRICT
FINDING AND RECOMMENDATIONS

Finding – Instructional Time and Pupil Membership Errors Resulted in a Net Underpayment of \$7,918 in Subsidy and Reimbursement

Instructional time summaries and pupil membership reports submitted to the Department of Education (DE) for the 1998-99 school year were inaccurate. Errors in reporting instructional days along with errors in reporting resident and nonresident membership data resulted in a net subsidy and reimbursement underpayment of \$7,918.

Instructional time errors were caused by the district overreporting morning kindergarten by one day and afternoon kindergarten by five days. These errors caused the district to be in noncompliance with the requirements of the Public School Code for kindergarten pupils.

Sections 1501 and 1504 of the Public School Code require that a school district must provide a minimum of 180 school days and 450 hours of half-time kindergarten instruction.

When minimum instructional days are not provided, DE calculates a reduction fraction that is used to adjust the district's basic instructional subsidy.

Elementary nonresident membership was understated by 341 days while resident membership was overstated by 956 days for the 1998-99 school year.

The errors in resident and nonresident membership resulted from district personnel:

- incorrectly calculating membership for students in half-time kindergarten; and
- misclassifying membership for children placed in private homes as resident students.

Instructional time errors caused the district to receive a \$3,484 overpayment in basic education funding. Resident and nonresident errors caused an underpayment of \$11,402 for children placed in private homes.

Child accounting guidelines and instructions require accurate reporting of instructional time, pupil membership days, student classification, and residency information, since these are major factors in calculating various district subsidies and reimbursements.

These errors were also noted in a prior audit finding. Our review of 1999-2000 membership records revealed no errors and procedures are now in place to eliminate future problems.

WAYNE HIGHLANDS SCHOOL DISTRICT
FINDING AND RECOMMENDATIONS

Finding (Continued)

DE has been provided a report detailing the errors for use in recalculating the district's subsidy and reimbursement. When DE revises the resident membership, the district's market value/personal income aid ratio will change from .4630 to .4627 for the 2000-01 payable year.

Recommendations

District personnel should:

- . develop written procedures pertaining to calculating and documenting instructional time to ensure that the instructional time summary submitted to DE is correct and minimum hours are met;
- . review all school term data to ensure that student membership is reported under correct terms; and
- . compare letters for children placed in private homes with district reports to ensure that student membership is properly classified.

DE should adjust the district's allocation to resolve the net underpayment of \$7,918.

Response of Management

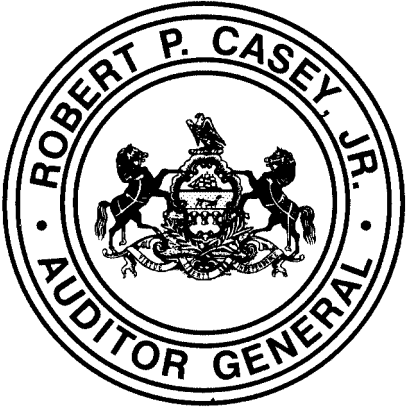
Management provided the following response, agreeing with the finding:

As a result of similar findings in the November 1999 audit of school years 1996-98, the District increased its instructional time by changing the schedules in all schools. Additionally, we developed a "modified" morning Kindergarten schedule for weather related late starts. We scheduled double sessions of afternoon Kindergarten to offset time and days lost for weather related, and holiday early dismissals. These actions created a sufficient amount of instructional time as prescribed by the Pa. School Code. Nonetheless, these actions, which were taken in 1999-2000 school year, could not offset shortfalls in the 1998-99 school year. Since 1999, as noted in the absence of any findings in the 1999-2000 audit, the District is in compliance.

WAYNE HIGHLANDS SCHOOL DISTRICT
FINDING AND RECOMMENDATIONS

Finding (Continued)

Coinciding with the above, nonresidents are tracked in a much more comprehensive manner. School Guidance Counselors, Attendance Secretaries, and District Office staff thoroughly coordinate the enrollment, placement (including letters), and inspection of all nonresident student information. Computer enrollment “pull downs” are completed at the end of the first month, end of the semester, and end of the school year to cross-check all membership data.



WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

The following is a summary of the findings and recommendations presented in the June 30, 1998 and 1997 audit report, along with a description of the school board's disposition of each recommendation. The status of each recommendation was determined by one or more of the following procedures:

- review of the board's written response, dated October 16, 2000, to the Comptroller's Office, Labor, Education, and Community Services, replying to the Auditor General's June 30, 1998 and 1997 audit report;
- tests performed as a part of, or in conjunction with, the current audit; and
- questioning of appropriate district personnel regarding specific prior years' findings and recommendations.

Finding No. 1 - Instructional Time and Pupil Membership Errors Resulted in a Net Overpayment of \$40,444 in Subsidies and Reimbursements

Instructional time summaries and pupil membership reports submitted to the Department of Education (DE) for the 1997-98 and 1996-97 school years were inaccurate. Errors in reporting minimum required instructional hours, along with errors in reporting resident and nonresident membership data resulted in a net overpayment of \$40,444.

We recommended that district personnel:

- develop written procedures pertaining to calculating and documenting instructional time to ensure that the instructional time summary submitted to DE is correct and minimum hours are met;
- review all school term data to ensure that student membership is reported under correct terms;
- implement a system of review to ensure accurate reporting of resident and vocational education membership data;
- compare letters for children placed in private homes with district reports to ensure that student membership is properly classified; and
- review subsequent year reports and if errors are found, submit revised reports to DE.

WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

Finding No. 1 (Continued)

We further recommended for DE to adjust the district's allocation to resolve the net overpayment of \$40,444.

The board provided the following written response:

Management agrees with the findings related to Instructional Time and Nonresident Membership.

The District did not calculate the required times correctly because of misinterpretation of what can be counted as "instructional time." This was an unintentional error and never indicated in previous audits. When informed by the state auditor of the problem, a new daily bell schedule was implemented for those schools affected. The new schedule adds 8 minutes to the daily schedule, thereby adding a total of 24 hours instructional time.

District personnel have been instructed about the proper method of calculating membership, regulations regarding the classification of membership for children placed in private homes as resident students and duplication of membership.

As stated, the District immediately corrected the bell schedule and also completed its training on nonresidents. This summer, when completing the District's annual attendance report, we revisited the nonresident issue and reviewed procedures with all staff directly involved.

The Superintendent will annually review the District attendance report and building bell schedules to insure compliance with nonresident and instructional time regulations. Additionally, all District Administrators and Supervisors will be reminded of the requirements.

As of October 10, 2001, DE had not made the adjustment to recover the overpayment. Therefore, we again recommend that DE adjust the district's allocation to recover the \$40,444.

Instructional time and nonresident membership errors were made during the 1998-99 school year are the subject of a finding in our current audit. Procedures were implemented during the 1999-2000 school year to ensure membership data is correctly reported.

WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Certification Irregularities

Our review of the professional employees' certificates and assignments for the period July 1, 1996 through June 30, 1999, disclosed one administrator did not have proper certification for all three years. Additionally, during the 1998-99 school year, a social worker did not have proper certification and another administrator had a lapsed certificate.

Information pertaining to the certificates in question was submitted to the Bureau of Teacher Certification and Preparation (BTCP), DE, for determination. On December 10, 1999, BTCP determined the employees were not properly certified for the assigned positions. Therefore, the district is subject to a subsidy forfeiture of \$13,962.

We recommended the superintendent:

- ensure employees obtain current, valid teaching certificates;
- monitor years of service for all non-permanently certified employees; and
- put procedures in place to compare a teacher's certification to the certification requirements of the assignments the district intends to give the teacher.

We further recommended that DE adjust the district's allocation to recover the subsidy forfeiture.

The board provided the following written response:

Management agrees with the finding.

The District Office has added a review process for the credentials of its administrative staff. There is a longstanding, successful method of checking teacher certifications and this will supplement that process. Additionally, all administrative staff have been told that certification is their responsibility and that this finding cannot be repeated.

Steps to mitigate this problem were taken immediately upon being informed of the deficiency. Our review process will take place each summer before school begins.

WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

Finding No. 2 (Continued)

The Superintendent, each summer, will recheck all certifications for professional and administrative staff, paying particular attention to those teachers new to the District and those who provide substitute service.

As of October 10, 2001, DE had not made the adjustment to recover the subsidy forfeiture. Therefore, we again recommend that DE adjust the district's allocation to recover the \$13,962.

Finding No. 3 - Transportation Errors Resulted in Reimbursement Overpayments of \$8,087

Our review of the district's transportation reports and other financial related records submitted to DE for the 1997-98 and 1996-97 school years, disclosed inaccuracies that resulted in overpayments of \$1,675 and \$6,412, respectively.

We recommended the board require the transportation coordinator to:

- review records of the number of days on which transportation to and from school was provided on the designated vehicle; and
- review records of the number of children for which transportation was provided for accuracy.

We further recommended that DE adjust the district's allocation to recover the overpayments.

The board provided the following written response:

Management concurs with the finding but adds that this overpayment is the result of our longstanding method of calculating transportation for our students attending school in New York and parochial schools, when they have half-day schedules. Never cited in previous audits, we unintentionally were in error. The overstatement/understatement of pupils on a total of three contracts can only be attributed to human error.

WAYNE HIGHLANDS SCHOOL DISTRICT
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

Finding No. 3 (Continued)

The Business Manager will properly calculate the number of days of transportation for those students going to New York or parochial schools when they have half-day sessions. We will review records of the number of children for which transportation was provided for accuracy.

This summer's calculations for transportation reimbursement were completed according to state guidelines and this process will continue each year. The Superintendent will meet with the Business Manager each summer to review the calculations for transportation reimbursement.

As of October 10, 2001, DE had not made the adjustment to recover the \$8,087. Therefore, we again recommend that DE adjust the district's allocation to recover the overpayment.

Finding No. 4 - Lack of Adherence to Department of Education Requirements for Vocational Education Subsidy

The district did not fulfill DE requirements for vocational education subsidy (VES) eligibility for the 1997-98 and 1996-97 school years.

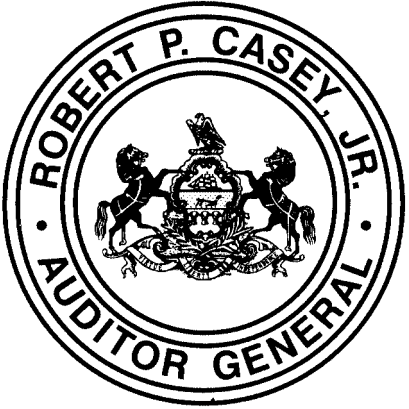
We recommended that district personnel strengthen controls to ensure vocational education membership is reported in accordance with DE guidelines.

We further recommended that DE determine the amount of disallowance, if any, and adjust the district's allocation to recover the amount determined.

The board provided a detailed response agreeing with our finding.

No errors were noted in the reporting of vocational education membership for the current audit period.

As of October 10, 2001, resolution of the possible VES disallowance was still pending final review by DE. Therefore, the department recommends that DE expedite its final determination and make any adjustments it deems necessary.



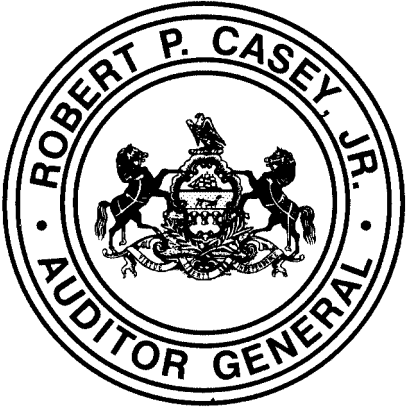
WAYNE HIGHLANDS SCHOOL DISTRICT
APPENDIX

[UNAUDITED]

Schedule of State Revenue

The district reported state revenue of \$10,469,734 and \$10,369,822, respectively, for the years ended June 30, 2000 and 1999, as detailed in the following schedule:

<u>STATE REVENUE</u>	<u>2000</u>	<u>1999</u>
Basic Education	\$ 5,904,839	\$ 5,769,241
Read to Succeed	34,762	-
School Performance Incentives	15,303	20,992
Tuition for Orphans and Children		
Placed in Private Homes	64,607	72,381
Homebound Instruction	761	801
Vocational Education	9,760	11,351
Driver Education	5,040	4,865
Special Education	1,174,742	1,144,681
Transportation	1,696,231	1,682,165
Rental and Sinking Fund Payments	478,894	544,776
Health Services	66,377	68,178
Sewage Treatment Operations	1,333	-
Safe Schools	10,000	-
Milk, Lunch and Breakfast Programs	55,778	53,758
Social Security and Medicare Taxes	555,598	530,306
Retirement	327,209	422,327
Technology Grants	68,500	44,000
	<u> </u>	<u> </u>
<u>TOTAL STATE REVENUE</u>	<u>\$10,469,734</u>	<u>\$10,369,822</u>



BUREAU OF SCHOOL AUDITS

AUDIT DISTRIBUTION LIST

This report was initially distributed to the superintendent of the school district, the board members, and the following:

The Honorable Charles B. Zogby
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

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