

PERFORMANCE AUDIT REPORT

Wyoming Valley West School District

August 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

This page left blank intentionally



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

July 31, 2023

Mr. David Tosh
Superintendent
Wyoming Valley West School District
450 North Maple Avenue
Kingston, PA 18704

Dear Mr. Tosh:

This report contains the results of the Department of the Auditor General's performance audit related to the Wyoming Valley West School District (District). Our audit period was July 1, 2018, through June 30, 2021, unless otherwise noted, with updates where applicable through the report date. This audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403, and Section 1715-F.1(2) of the Fiscal Code, Article XVII-F.1 (relating to 2022-2023 Budget Implementation), 72 P.S. § 1715-F.1(2).¹

Our audit included the following three objectives:

- Determine the District's financial position and whether it complied with all statutes prohibiting deficit fund balances and spending more than its budget.
- Determine District compliance with applicable laws, regulations, and reporting requirements governing transportation operations, and that it received the correct transportation reimbursement from the Commonwealth.
- Determine whether the District's service contracts were Board approved, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered.

¹ Pursuant to Section 1715-F.1(2) of the Fiscal Code, **to the extent possible**, the audit shall include a review of the books, contracts and transactions of the school district, including those related to Federal and State funding of the school district for the previous five school years. Our prior audit of the District released in November 2019 covered the period July 1, 2014 through June 30, 2018, and therefore, the audit period of this audit began on July 1, 2018.

The audit was performed in accordance with generally accepted *Government Auditing Standards*, issued by the Comptroller General of the United States, except for our inability to obtain all necessary documentation related to the transportation and contracting audit objectives due to staffing changes in key positions responsible for the oversight of those areas, as noted in this report.² Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained for Objective 1 provides a reasonable basis for our finding and conclusions. Regarding Objectives 2 and 3, due to turnover in senior management, some District records were incomplete or could not be located. Additionally, District management was unable to provide responses to some of our inquiries. Consequently, the District was unable to provide us with the sufficient and appropriate evidence necessary to conclude on Objectives 2 and 3. The documentation limitations and related internal control deficiencies are described below and within *Findings 2 and 3*, as well as in *Appendix A* of this report.

The methodology to satisfy our objectives, along with our evaluation of management's internal controls significant to these objectives, is included in *Appendix A* of this report. This report presents **three findings** and **17 recommendations**.

As discussed in *Finding 1*, we found the District had a negative General Fund balance during each of the three fiscal years ended June 30, 2019, 2020, and 2021. The District's financial decline is a serious concern, especially given that in each of the three years the District budgeted for a positive net change in fund balance while actual results were a negative net change in fund balance in the first two of the three fiscal years.

In *Finding 2*, we conclude the District did not implement an adequate internal control system over the input, calculation, and reporting of transportation data. This resulted in the District's failure to obtain, review, and retain adequate documentation to support the transportation information submitted to the Pennsylvania Department of Education (PDE) for the 2020-21 school year. Without supporting source documentation, we could not confirm the accuracy of the transportation transactions and information submitted to PDE. Additionally, we could not conclude if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations. The issues identified in our review of the 2020-21 school year are also applicable to the 2018-19 and 2019-20 school years in the audit period due to District management indicating it had the same procedures in place throughout the audit period. The issues identified include the following:

² U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021.

- Lack of supporting documentation for regular transportation reimbursement.
- Lack of supporting documentation for supplemental transportation reimbursement.
- Lack of supporting documentation for non-reimbursable students.
- Overall weaknesses resulting in ongoing issues with reporting transportation data to PDE.

In *Finding 3*, we conclude the District did not maintain and retain documentation to support its procurement process and approval for contracted services. Specifically, we found the District lacked the following:

- A complete list of its service contracts.
- Written procedures pertaining to its procurement process.
- Documentation supporting its procurement process and approval of contracts.
- Documentation to evidence that contracts are monitored.

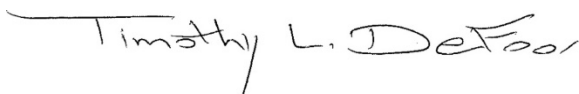
As a result of the above issues, we could not determine if all of the District's service contracts selected for review were Board approved as required, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered.

In addition to our current audit objectives, we conducted procedures to determine the status of the implementation of our prior audit findings and recommendations as presented in the audit report released on November 4, 2019. Our prior performance audit covered the period July 1, 2014, through June 30, 2018, and contained two findings. The first finding contained three recommendations and the second finding contained six recommendations, one of which was directed to PDE.

The first finding in our prior audit report related to the District's declining financial position is incorporated into *Finding 1* of this report. The second finding related to District transportation reporting errors that resulted in a net overpayment to the District of \$5,134 applicable to the 2013-14 through 2016-17 school years is incorporated into *Finding 2* of this report.

In closing, we thank the District for its cooperation and assistance during the audit. The District generally agreed with our finding recommendations, on which we further elaborate in the *Auditor's Conclusion to Wyoming Valley West School District's Response* section of this report. We reserve the right to follow up at an appropriate time to determine whether and to what extent our recommendations have been implemented.

Sincerely,



Timothy L. DeFoor
Auditor General

A Performance Audit

Wyoming Valley West School District

TABLE OF CONTENTS

Executive Summary..... 1

Introduction and Background..... 4

Finding One: The Wyoming Valley West School District had a negative General Fund balance during the fiscal years ended June 30, 2019, 2020, and 202111

Recommendations21

Finding Two: The Wyoming Valley West School District failed to maintain all documents necessary to support its transportation reimbursement information submitted to PDE22

Recommendations30

Finding Three: The Wyoming Valley West School District did not maintain and retain documentation to support its procurement process and approval for contracted services32

Recommendations39

Status of Prior Audit Findings 41

Wyoming Valley West School District’s Response and Auditor’s Conclusion44

Appendix A – Objectives, Scope, Methodology, and Data Reliability50

Appendix B – Distribution List70

A Performance Audit

Wyoming Valley West School District

Executive Summary

This report presents the results of our performance audit of the Wyoming Valley West School District (District). Our performance audit had three objectives, which included the following:

- Determine the District’s financial position and whether it complied with all statutes prohibiting deficit fund balances and spending more than its budget.
- Determine District compliance with applicable laws, regulations, and reporting requirements governing transportation operations, and that it received the correct transportation reimbursement from the Commonwealth.
- Determine whether the District’s service contracts were Board approved, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered.

Our audit period was July 1, 2018, through June 30, 2021, unless otherwise noted, with updates where applicable through the report date. We also conducted procedures to determine whether the District implemented recommendations from our prior performance audit report issued on November 4, 2019.

Our audit results are contained in three findings with 17 recommendations. The District generally agreed with our recommendations, which we further elaborate in the *Auditor’s Conclusion to Wyoming Valley West School District’s Response* section of this report.

Finding 1 – The Wyoming Valley West School District had a negative General Fund balance during the fiscal years ended June 30, 2019, 2020, and 2021.

The District’s General Fund balance (fund balance) decreased in each of the four fiscal years covering the period July 1, 2014, through June 30, 2018. During our current audit period of July 1, 2018, through June 30, 2021, the District reported **negative fund balances** in each of the three fiscal years. The District’s financial decline is a serious concern. During this period, the District had a cumulative operating deficit which caused the District to borrow short-term funds, close a school building, and not replace teachers who retired or had left the District. The operational deficits were in part due to increased costs with charter school tuition, special education, and debt service expenditures.

The District did not adequately budget these expenditures to have sufficient revenue to meet these increasing costs, especially with the debt service payments, and therefore its financial position decreased during our audit period. Although the recently released fiscal year ended June 30, 2022, financial statements report a positive fund balance for the District, if the District does not continue to make significant operational changes to avoid further decreases in its financial

A Performance Audit

Wyoming Valley West School District

position, it could cause the District to be in danger of being placed on *financial watch status* (through an early warning system) by the Pennsylvania Department of Education (PDE), continue to borrow through short-term loans, close additional buildings, and continue to reduce staff through attrition.

Finding 2 – The Wyoming Valley West School District failed to maintain all documents necessary to support its transportation reimbursement information submitted to PDE.

The District did not implement an adequate internal control system over the input, calculation, proper evaluation, and reporting of transportation transaction data. This resulted in the District's failure to obtain, review, and retain adequate documentation to support the transportation information submitted to PDE for the 2020-21 school year.³ Without supporting source documentation, we could not confirm the accuracy of the transportation transactions and information submitted to PDE. Additionally, we could not conclude if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations.

The District was unable to provide documents to support the regular transportation data submitted to PDE for the 2020-21 school year. This data includes vehicle mileage, the number of students transported, and the number of days students were transported. Additionally, the District did not have supporting documentation to verify 8 of 60 nonpublic and 6 of 23 charter school students selected for our review to determine the accuracy of the supplemental transportation data reported to PDE. The District also lacked documentation to support the number of students on a hazardous route. We randomly selected 60 of 661 hazardous route students the District reported to PDE to determine if they met the criteria for the District to report them as students on a hazardous route. Based on our analysis of each student's home address and the school they attended, it appears that the District incorrectly reported 9 of the 60 students because the students resided farther than the 1.5 or 2 mile travel distance thresholds in PDE's criteria.

The issues with the accuracy of the transportation data that the District reported to PDE were due to the lack of written policies and procedures and internal controls to ensure operations were in accordance with applicable laws, regulations, and guidelines and to ensure records are maintained to support the information submitted to PDE. Specifically, the District must obtain and retain transportation data in accordance with the Public School Code requirements and best business practices.⁴

³ Although District management provided us with transportation documents from a file maintained by the former Transportation Director, the data on these documents did not support the transportation information submitted to PDE.

⁴ Section 518 (relating to "Retention of records") of the PSC requires that the financial records of a district be retained by the district for a period of not less than six years. *See* 24 P.S. § 5-518.

A Performance Audit

Wyoming Valley West School District

Finding 3 – The Wyoming Valley West School District did not maintain and retain documentation to support its procurement process and approval for contracted services.

The District lacked a complete list of service contracts and written procedures pertaining to its procurement process. The District also lacked documentation supporting its procurement process and approval of contracts as well as evidence that contracts were monitored. As a result of these issues, we could not determine if all of the District's service contracts selected for review were Board approved as required, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered.

District management was unable to locate or provide certain documentation for the seven contracts selected for review including copies of two contracts, evidence that the solicitor reviewed the seven contracts, support of the solicitation of proposals or bids for three contracts, board minutes documenting approval of five contracts, and statements of financial interest from two board members. Additionally, the District lacked documentation to demonstrate that it monitored to ensure contracted services were properly delivered.

Status of Prior Audit Findings

We conducted procedures to determine the status of the prior audit findings and recommendations presented in the audit report released on November 4, 2019. Our prior performance audit of the District covered the period of July 1, 2014, through June 30, 2018, and contained two findings. The first finding contained three recommendations and the second finding contained six recommendations, one of which was directed to PDE.

The first finding in our prior audit report related to the District's declining financial position is incorporated into *Finding 1* of this report. The second finding related to District transportation reporting errors that resulted in a net overpayment to the District of \$5,134 applicable to the 2013-14 through 2016-17 school years is incorporated into *Finding 2* of this report.

A Performance Audit

Wyoming Valley West School District

Introduction and Background

This report by the Department of the Auditor General presents the results of a performance audit of the Wyoming Valley West School District (District). The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code and Section 1715-F.1(2) of The Fiscal Code, Article XVII-F.1 (relating to 2022-2023 Budget Implementation).⁵

Our performance audit consisted of three objectives and included the period of July 1, 2018 through June 30, 2021, unless otherwise noted, with updates through the report date. Our audit objectives were as follows:

- Determine the District’s financial position and whether it complied with all statutes prohibiting deficit fund balances and spending more than its budget.
- Determine District compliance with applicable laws, regulations, and reporting requirements governing transportation operations, and that it received the correct transportation reimbursements from the Commonwealth.
- Determine whether the District’s service contracts were Board approved, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered.

Our audit procedures included a limited review of federally issued COVID-19 related emergency relief funds, as well as certain transactions of the District specific to the audit objectives. We also conducted procedures to determine the status of implementation of our prior audit findings and recommendations as presented in the audit report released in November 2019. Our prior performance audit covered the period July 1, 2014, through June 30, 2018, and contained two findings with eight recommendations to the District, and one recommendation made to the Pennsylvania Department of Education (PDE). See *Appendix A – Objectives, Scope, Methodology and Data Reliability* for more information. In the sections that follow, we present background information about the District.

⁵ 72 P.S. §§ 402 and 403 and 1715-F.1(2); pursuant to **Section 1715-F.1(2)** of The Fiscal Code, **to the extent possible**, the audit shall include a review of the books, contracts, and transactions of the school district, including those related to Federal and State funding of the school district for the previous five school years. Our prior audit of the District released in November 2019, covered the period July 1, 2014, through June 30, 2018. Therefore, the current audit period begins with July 1, 2018 and extends through June 30, 2021, which was the most recently completed fiscal year at the time of the audit. These combined audit periods satisfy the five school year portion of the mandate.

A Performance Audit

Wyoming Valley West School District

Wyoming Valley West School District

The District is located in Luzerne County and includes 14.7 square miles of land on the western bank of the Susquehanna River. The District was created by the merger of nine districts into one in July of 1966 after passage of the Reorganization Act of 1963.⁶ The communities comprising the District are Courtdale, Edwardsville, Forty Fort, Kingston, Larksville, Luzerne, Plymouth, Pringle, and Swoyersville.⁷ The District is comprised of four elementary schools, one middle school, and one high school.⁸ According to District management, the District employed 334 teachers, 165 support staff, and 18 administrators and total enrollment was 5,219 students during the 2021-22 school year.

Financial

Pennsylvania school districts' fiscal years are from July to June. State law requires school districts to pass a general fund budget by June 30 each year.⁹ The total amount of budget expenditures should not exceed the total amount of revenues and fund balance.¹⁰ School districts should strive to create an accurate budget where expenditures are spent in accordance with its budget. If expenditures exceed revenue, short-term borrowing may have to be used to fund district operations until new revenues are received.

School districts receive revenue from local, state and federal sources. Expenditure categories are comprised of instruction, support services, and non-instructional services. The following table reflects the District's General Fund total revenue, expenditures, and fund balance for each of the fiscal years within our audit period of July 1, 2018, through June 30, 2021.¹¹

⁶ 24 P.S. § 2-290 *et seq.* (Act 299 of 1963).

⁷ <https://www.wvwsd.org/domain/10> (accessed November 16, 2022).

⁸ During the audit period, the District also operated one additional elementary school; however, that school was closed at the end of the 2021-2022 school year.

⁹ 24 P.S. § 6-687(a)(1); Subsection (a) of Section 312 (relating to "Adoption of annual budget") of Taxpayer Relief Act (Act 1 of 2006) requires each board of school directors to adopt its annual budget for the following fiscal year no later than the last day of the fiscal year before the fiscal year in which the budget takes effect. *See* 53 P.S. § 6926.312(a).

¹⁰ 24 P.S. § 6-687(b).

¹¹ As defined in the "Chart of Accounts for PA Local Educational Agencies for 2021-2022 FY" issued by the PA Office of the Budget, Office of Comptroller Operations Central Agencies and School Finance Unit, the General Fund includes the accounts for all financial resources of a school district, except for those financial resources specifically required by law to be accounted for in another fund.

A Performance Audit

Wyoming Valley West School District

District Revenue, Expenditures, and Fund Balance Fiscal Years Ended June 30, 2019, through 2021			
Fiscal Year Ended June 30	Revenue	Expenditures	Fund Balance
2019	\$76,258,240	\$74,824,881	\$ (971,838)
2020	\$78,661,490	\$76,026,584	\$ (1,149,491)
2021	\$81,938,350	\$80,899,804	\$ (594,404)

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the fiscal years ended June 30, 2019, through 2021.

Local sources of revenue consist of money produced within the District's boundaries for its own use.¹² Local revenue primarily includes tax collected from residents and businesses, tuition received from other districts, and other areas deemed to be considered local revenue. The District levies taxes in July of each year. District residents receive a discount if taxes are paid by August 31 and are assessed a penalty if taxes are paid after November 1. During the audit period, the District raised taxes 4.8 percent for the fiscal year ended (FYE) June 30, 2019, and an additional 3.2 percent for FYE June 30, 2020, but did not raise taxes for FYE June 30, 2021. As of June 30, 2021, local revenue was approximately 46 percent of the District's total revenue.

Revenue from state sources include state grants, subsidies, contracts, and entitlements received from the Commonwealth of Pennsylvania (Commonwealth). This revenue includes basic education instructional funding, special educational programs, nonpublic program funding, education block grants, and other Commonwealth funds. Much of this revenue is based on weighted average daily student attendance, local wealth, and legislated distribution formulas. As of June 30, 2021, state revenue was approximately 47 percent of the District's total revenue.

Federal sources of revenue include grants, subsidies, contracts, and other revenues received directly from the federal government or passed through the Commonwealth. As of June 30, 2021, federal revenue was approximately 7 percent of the District's total revenue.

During the COVID-19 pandemic, the federal government also issued emergency funds to school districts through relief funds. The District received a total of \$1,307,656 in Elementary and Secondary School Emergency Relief Funds (ESSER) during the 2020-21 school year.¹³ The District also received \$77,825 from the Governor's Emergency Education Relief Fund (GEER) during the 2020-21 school years.

¹² PDE, "Chart of Accounts for PA Local Educational Agencies" issued by the PA Office of the Budget, Office of Comptroller Operations Central Agencies and School Finance Unit.
<https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Comptrollers%20Office/Chart%20of%20Accounts.pdf> (accessed November 3, 2022).

¹³ The District received \$955,390 in ESSER I funds and \$352,266 in ESSER II funds.

A Performance Audit

Wyoming Valley West School District

As reported in the above table, the District had a negative fund balance during all three fiscal years of the audit period. See *Finding 1* related to our evaluation of the District's financial position.

Transportation

The Pennsylvania Public School Code (PSC) requires school districts to provide transportation services to students (also referred to as pupils in this report) who reside in its district and who attend a charter school or nonpublic school.¹⁴ The PSC also provides that school districts receive a transportation subsidy for most students who are provided transportation.¹⁵

Districts receive **two** separate transportation reimbursements from PDE. **One** reimbursement is specific to students attending the District (regular transportation reimbursement), and the **second** reimbursement relates to District students attending a charter school or nonpublic school (supplemental transportation reimbursement).

The PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE to be eligible for transportation reimbursement.¹⁶ The sworn statement includes the Superintendent's signature attesting to the accuracy of the reported data.

The regular transportation reimbursement is based on several components that are reported by a school district to PDE for use in calculating the district's annual reimbursement amount. PDE guidelines state that districts are required to report the number of days a vehicle is in service, the number of students assigned to each vehicle, as well as the miles per day, to the nearest tenth, that each vehicle travels with and without students.¹⁷ If the number of students assigned and/or the miles traveled change during the school year, districts are required to calculate and report an

¹⁴ Section 2509.3 (relating to "Payments on account of transportation of nonpublic school Pupils") of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. This payment is provided for charter school students in Section 1726-A(a) of the Charter School Law through its reference to Section 2509.3 of the PSC. See 24 P.S. §§ 25-2509.3 and 17-1726-A(a).

¹⁵ Section 2541 (relating to "Payment on account of pupil transportation") of the PSC, 24 P.S. § 25-2541.

¹⁶ Section 2543 (relating to "Sworn statement of amount expended for reimbursable transportation; payment; withholding") of the PSC, 24 P.S. § 25-2543. Please note that while a sworn statement is different from an affidavit in that a sworn statement is not typically signed or certified by a notary public, the statement is, nonetheless, taken under oath. See <https://legaldictionary.net/sworn-statement/> (accessed May 22, 2023).

¹⁷ See "Form Completion Instructions PDE-1049 Transportation Service Forms" <https://www.education.pa.gov/Teachers%20-%20Administrators/Pupil%20Transportation/Pages/default.aspx> (accessed November 3, 2022). Excerpt: Daily Miles With - Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average. Daily Miles Without - Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, then calculate a weighted average or sample average. This includes all students that are transported regardless of what school they attend (e.g., public, nonpublic, charter school, etc.)

A Performance Audit

Wyoming Valley West School District

average. In addition, districts are required to report the number of students transported who were eligible and not eligible for reimbursement to PDE.¹⁸

The following table reports the regular transportation reimbursement the District received from PDE during each of the fiscal years in the audit period:

Regular Transportation Reimbursement from PDE Fiscal Years Ended June 30, 2019, through 2021			
Fiscal Year Ended June 30	Total Vehicles ^{a/}	Total Pupils Transported ^{b/}	Reimbursement (Payments) from PDE ^{c/}
2019	87	4,450	\$1,065,188
2020	64	4,142	\$ 983,817
2021	58	4,061	\$ 993,573

^{a/} - Obtained from the PDE-2518 report entitled, "Summary of Individual Vehicle Data."
^{b/} - Obtained from the PDE-2576 report entitled, "Summary of Pupil Transportation Subsidy."
^{c/} - Obtained from PDE's "Pennsylvania Department of Education Office of Comptroller Operation Financial Accounting Information Audit Confirmation of Subsidy Payments."

Source: Produced by staff of the Department of the Auditor General based on vehicle and pupil data submitted by the District to PDE and payment reports issued by PDE for the applicable school years (see column tick marks for details on PDE reports).

For the 2020-21 school year only, due to the COVID-19 pandemic, PDE provided school districts with two transportation reimbursement options: 1) to be paid an amount based on the prior year's regular transportation reimbursement, or 2) to report regular transportation data as is the routine practice and the subsidy would be calculated accordingly.¹⁹ District management stated they selected the first option. See additional discussion regarding the reimbursement options in *Finding 2*.

The supplemental transportation reimbursement is based on the PSC's requirement for school districts to provide transportation services to students who reside in its district and who attend a nonpublic school or a charter school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the District. Pursuant to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.²⁰ The reimbursement was also made applicable to the transportation of charter school students pursuant

¹⁸ Ibid.

¹⁹ Subsection (m.1) of Section 1501.8 (relating to "Pandemic of 2020") of the PSC created modified calculation of the Pupil Transportation Subsidy for the 2020-21, payable in the 2021-22 school year. See 24 P.S. § 15-1501.8(m.1) (added by Act 136 to 2020, effective November 25, 2020).

²⁰ Subsection (b) of Section 922.1-A (relating to "Definitions") of the PSC, 24 P.S. § 9-922.1-A(b).

A Performance Audit

Wyoming Valley West School District

to an equivalent provision in the Charter School Law, which refers to Section 2509.3 of the PSC.²¹

The following table shows data reported by the District to PDE regarding the number of nonpublic and charter school pupils the District transported during each of the fiscal years in the audit period and the supplemental transportation reimbursement the District received from PDE:

Total Number of Nonpublic and Charter School Pupils Transported by the District and Reimbursement from PDE			
Fiscal Years Ended June 30, 2019, through 2021			
Fiscal Year Ended June 30	Total Nonpublic School Pupils	Total Charter School Pupils	Nonpublic and Charter School Transportation Reimbursement from PDE
2019	270	22	\$ 56,210
2020	251	19	\$ 103,950
2021	242	19	\$ 100,485

Source: Produced by staff of the Department of the Auditor General based on information in the District's PDE-2576 report entitled "Summary of Pupil Transportation Subsidy" for the pupil information and the reimbursement amounts from the "Pennsylvania Department of Education Office of Comptroller Operation Financial Accounting Information Audit Confirmation of Subsidy Payments" for the school years 2018-19, 2019-20, and 2020-21.

See *Finding 2* related to our evaluation of the District's documentation that supports the regular and supplemental transportation data reported to PDE for the FYE June 30, 2021.

Service Contracts

Services, such as student transportation and building security, that are not provided directly by District staff are acquired from contracted vendors. Although the PSC includes requirements regarding contracting for construction related repairs and maintenance services, it does not require the solicitation of bids for other service type contracts. However, school districts may choose to solicit bids for services to determine the lowest responsible bid for obtaining the services.

Districts, however, are required to comply with the Federal Government's Uniform Guidance (UG) procurement rules for goods and services procured with federal funds. PDE created an implementation guide to serve as a resource for districts to use.²²

²¹ Subsection (a) of Section 1726-A (relating to "Charter School Transportation") of the Charter School Law which refers to 24 P.S. § 25-2509.3. See 24 P.S. § 17-1726-A(a). A charter school is an independent public school and educates public school students within the applicable school district. See 24 P.S. § 17-1703-A (relating to "Definitions").

²² PDE "Uniform Guidance Implementation Guide: Procurement" dated April 2018. <https://www.statelibrary.pa.gov/Documents/For%20Libraries/Subsidies%20and%20Grants/LSTA/AdoptPoliciesand>

A Performance Audit

Wyoming Valley West School District

The PSC requires an affirmative vote of a majority of all the members of the district’s school board when the District enters into contracts of any kind, where the amount of the contract exceeds \$100.²³ Under the Pennsylvania Public Official and Employee Ethics Act (Ethics Act), if any member of the school board has a conflict of interest, they must abstain from voting on the contract.²⁴ The Ethics Act defines a “Conflict of Interest” as the use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family, or a business with which he or a member of his immediate family is associated.²⁵

School board members and members of the district administration shall file a statement of financial interests for the preceding calendar year with the governing authority no later than May 1 of each year that the person holds such a position and the year after such person leaves such position.²⁶

See *Finding 3* for our evaluation of the District’s service contracts.

[Procedures/Uniform%20Guidance%20Implementation%20Guide.pdf](#) (accessed June 7, 2023). The dollar thresholds are adjusted annually for inflation and are published in Notices by the Department of Labor and Industry.

²³ Section 508 (relating to “Majority vote required; recording”) of the PSC, 24 P.S. § 5-508.

²⁴ Subsection (j) “Voting Conflict” of Section 1103 (relating to “Restricted activities”) of the Ethics Act, 65 Pa.C.S. § 1103.

²⁵ Section 1102 (relating to “Definitions”) of the Ethics Act, 65 Pa.C.S. § 1102.

²⁶ Section 1104 (relating to “Statement of financial interests required to be filed”) of the Ethics Act, 65 Pa.C.S. § 1104.

A Performance Audit

Wyoming Valley West School District

Finding 1 – The Wyoming Valley West School District had a negative General Fund balance during the fiscal years ended June 30, 2019, 2020, and 2021.

As reported in our prior audit released on November 4, 2019, the Wyoming Valley West School District's (District) General Fund balance (fund balance) decreased in each of the four fiscal years covering the period July 1, 2014, through June 30, 2018. During our current audit period of July 1, 2018, through June 30, 2021, the District reported **negative fund balances** in each of the three fiscal years. The District's financial decline is a serious concern, especially given that in each of the three years the District budgeted for a positive net change in fund balance while actual results were a negative net change in fund balance in the first two of the three fiscal years.²⁷

In order to assess the District's financial stability, we reviewed several financial benchmarks to evaluate changes in its financial position during the three fiscal years ended (FYE) June 30, 2019, 2020, and 2021. The following benchmarks raised concerns related to the District's finances and are discussed in the remainder of the finding:

- General Fund Balance
- Operating Position and Other Financing Sources/Uses
- Revenues
- Expenditures
 - Charter School Costs
 - Special Education Expenditures
- General Fund Budgeting

General Fund Balance

School districts in Pennsylvania utilize fund accounting for greater financial accountability. Fund accounting uses separate funds to record specific activity for different purposes. These funds can include Capital Projects Funds, Debt Service Funds, and the General Fund. The focus of this section of the finding is on the General Fund. Each district uses its General Fund to record general operations, such as the revenues generated from taxes, state subsidy payments, and federal grants; and expenditures to operate the district's educational programs, such as administrators' and teachers' salaries, textbooks, and utilities.

²⁷ Net Change in Fund Balances: Fiscal Year Ended June 30, 2019, 2020, and 2021 were (\$1,043,754), (\$177,653), and \$555,087, respectively.

A Performance Audit

Wyoming Valley West School District

The General Fund's balance is the result of the accumulation of operating revenues minus expenditures, also known as the District's operating position, along with other financing sources and uses. A summary of this financial information is as follows:

- If annual revenues exceed annual expenditures, the district has an ending surplus.
- If annual revenues are less than annual expenditures, the district has an ending deficit.
- If there is a surplus, it adds to the General Fund balance while a deficit subtracts from the fund balance.
- Similarly, other financing sources add to the General Fund balance while other financing uses subtract from the fund balance.

School districts should have a reasonable amount of reserve funds to deal with emergencies or unforeseen needs, unanticipated expenses, and disruptions to revenue. The lack of available reserve funds could compel school districts to borrow funds to meet unforeseen needs and/or unanticipated expenses, which increases borrowing costs.

The following table shows the District's General Fund balance for each year of our audit period and for comparison purposes, one year prior to the audit period:

General Fund Ending Balance ^{a/} FYE June 30, 2018, 2019, 2020, and 2021	
FYE June 30	Total
2018	\$ 71,916
2019	(\$ 971,838)
2020	(\$ 1,149,491)
2021	(\$ 594,404) ^{b/}

^{a/} - Balances are all from Unassigned funds which are amounts that are available for any purpose within the General Fund only.

^{b/} - Subsequent to our audit procedures on May 24, 2023, the District provided us its audited financial statements for FYE June 30, 2022. These statements report a positive \$5,460,251 General Fund balance; however, due to timing of receiving these statements, we did not review information from that fiscal year as it was subsequent to our audit period. District management stated the increase in fund balance was due to an increase in the tax rate, implementing cost saving measures, and as previously reported in the *Introduction and Background*, the closure of one of the elementary school buildings.

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2018, 2019, 2020, and 2021.

Our prior audit of the District reported the District's fund balance deteriorated from over \$4.4 million as of June 30, 2014, to \$71,916 as of June 30, 2018. The table above shows that the District's General Fund balance continued to decrease the next two fiscal years and resulted in a **negative fund balance** in all three fiscal years.

A Performance Audit

Wyoming Valley West School District

As discussed in later sections of the finding, the District experienced increased costs in charter school tuition, special education, and debt service which contributed to the **negative fund balances**. The Government Finance Officers Association (GFOA) recommends that at a minimum, general-purpose governments maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.²⁸ Therefore, the District's negative fund balance in all three years of our current audit period is **extremely concerning**.

As a result of the District's **negative fund balance** for three consecutive years, the District applied for a Tax and Revenue Anticipation Note (TRAN); closed an elementary school building at the end of the 2021-22 school year; and did not fill teacher vacancies. Specifically, to make up for shortfalls, in August 2019 and May 2020, the District's Board approved short-term borrowing until the collection of local tax revenue anticipated to be collected in future fiscal years is realized.

Although the recently issued District's financial statements for FYE June 30, 2022 reports a positive fund balance, if the District's fund balance were to decrease again and remain in a negative balance, the District is in danger of being placed on *financial watch status* by the Pennsylvania Department of Education (PDE) under Article VI-A School District Financial Recovery of the Public School Code (PSC).²⁹ Financial watch status (also referred to as an early warning system) is a precursor to being placed in *financial recovery status* for districts that do not improve financially.³⁰ A district placed in *financial recovery status* loses local control of district operations. In these instances, the District's board of school directors would no longer have the authority to provide oversight of District operations. Further, school districts in *financial recovery status* have a PDE-appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.³¹

Operating Position and Other Financing Sources/Uses

A school district's operating position is determined by comparing total operating revenues to total operating expenditures. An operating surplus occurs when revenues are greater than expenditures. The District experienced an operating surplus for each of the three years reviewed; however, its General Fund balance continued to be negative due to the significant amount of

²⁸ GFOA *Fund Balance Guidelines for the General Fund* <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund> (accessed November 4, 2022).

²⁹ 24 P.S. § 6-611-A; see also State Board of Education's regulations in the Pennsylvania Code, Chapter 731. Early Warning System--Statement of Policy and 22 Pa. Code § 731.2 ("Early Warning System").

³⁰ 24 P.S. § 6-601-A *et seq.*; see also <https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Financial%20Recovery%20for%20School%20Districts/Early%20Warning%20System.pdf> (accessed April 26, 2023).

³¹ Sections 631-A (relating to "Appointment [of a chief recovery officer]") and 641-A (relating to "Contents [of Plan]") of the PSC. See 24 P.S. §§ 6-631-A and 6-641-A.

A Performance Audit

Wyoming Valley West School District

other financing uses each year. The following table shows the District's operating position, other financing sources and uses, and the change in the District's General Fund balance for the years reviewed.

General Fund Operating Position FYE June 30, 2019, 2020, and 2021					
FYE June 30	Total Revenue	Total Expenditures	Operating Position	Net Other Financing Sources/(Uses)	Net Change in Fund Balance Surplus/(Deficit)
2019	\$76,258,240	\$74,824,881	\$1,433,359	(\$2,477,113)	(\$1,043,754)
2020	\$78,661,490	\$76,026,584	\$2,634,906	(\$2,812,559)	(\$ 177,653)
2021	\$81,938,350	\$80,899,804	\$1,038,546	(\$ 483,459)	\$ 555,087

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, through 2021.

As shown in the table above, the District did not generate sufficient total revenue to meet expenditures and other financing uses, specifically debt service payments, in two of the three years. In the third year, the District's Other Financing Sources increased due to receiving a short-term loan of \$1.7 million, resulting in a positive Net Change in Fund Balance. The significant decrease to the District's Net Change in Fund Balance for two of the three years, and the District's negative ending fund balance in all three years of the audit period, emphasizes the need for the District to increase revenues, decrease expenditures, and/or restructure its debt service payments.

The net amount of other financing uses cited in the table above are the result of the District transferring money from the General Fund to the Debt Service Fund to meet obligations that were due as a result of past borrowing. These obligations were more than the District's operating surpluses for two of the three years that we reviewed and were a contributing factor to the District's General Fund balance of **negative \$594,404** for FYE June 30, 2021.

The District's future Debt Service Fund obligations will continue to put financial stress on the District to generate additional revenue or reduce other expenditures to increase its General Fund balance. As currently projected, the District will transfer over \$15.6 million to the Debt Service fund during the next five fiscal years, as shown in the below table.

A Performance Audit

Wyoming Valley West School District

Future Debt Service Obligation Fiscal Years Ending June 30, 2022, 2023, 2024, 2025, and 2026	
Fiscal Year Ending June 30	Future Debt Service Obligations
2022	\$ 2,922,600
2023	\$ 3,184,414
2024	\$ 3,193,374
2025	\$ 3,192,625
2026	\$ 3,196,178
Total	\$15,689,191

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2021.

Revenues

The District receives revenue from local, state, and federal sources; however, most of its revenue is from local and state sources. Local sources include real estate taxes and realty transfer taxes, and state sources are subsidies and reimbursement from the Commonwealth. During the audit period, the District's local revenue increased due to tax increases in FYE June 30, 2019 and 2020. The District did not raise taxes during FYE June 30, 2021. The following table shows the amounts received from each of the three sources during the audit period:

Revenue Sources FYE June 30, 2019, 2020, and June 30, 2021				
	FYE June 30			
	2019	2020	2021	Total
Local Revenue				
Budget	\$ 36,687,997	\$ 37,476,307	\$ 35,968,051	\$110,132,355
Actual	\$ 36,982,523	\$ 37,478,469	\$ 38,145,259	\$112,606,251
<i>Difference Over (Under)</i>	\$ 294,526	\$ 2,162	\$ 2,177,208	\$ 2,473,896
State Revenue				
Budget	\$ 36,753,290	\$ 37,337,961	\$ 38,499,538	\$112,590,789
Actual	\$ 35,022,653	\$ 37,148,746	\$ 38,129,197	\$110,300,596
<i>Difference Over (Under)</i>	(\$ 1,730,637)	(\$ 189,215)	(\$ 370,341)	(\$ 2,290,193)
Federal Revenue				
Budget	\$ 4,004,900	\$ 4,402,400	\$ 4,111,000	\$ 12,518,300
Actual	\$ 4,253,064	\$ 4,034,275	\$ 5,663,894	\$ 13,951,233
<i>Difference Over (Under)</i>	\$ 248,164	(\$ 368,125)	\$ 1,552,894	\$ 1,432,933
Totals				
Budget	\$ 77,446,187	\$ 79,216,668	\$ 78,578,589	\$235,241,444
Actual	\$ 76,258,240	\$ 78,661,490	\$ 81,938,350	\$236,858,080

A Performance Audit

Wyoming Valley West School District

<i>Difference Over (Under)</i>	(\$ 1,187,947)	(\$ 555,178)	\$ 3,359,761	\$ 1,616,636
--------------------------------	----------------	--------------	--------------	---------------------

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, 2020, and 2021.

As reported in the preceding table, the District budgeted to receive more state revenue than it actually received in all three fiscal years. As discussed in a later section of this finding, it is critical that District management consider actual numbers from prior years when creating annual budgets to help ensure that budgeted revenue amounts are not overestimated.

Regarding the increase in federal revenue sources in FYE June 30, 2021, school districts across the nation received funding due to the COVID-19 pandemic.³² However, this funding is temporary and intended for financial hardships resulting from the pandemic; therefore, the District cannot rely on this funding to fill budget shortfalls in the future.

Expenditures

Similar to other school districts in Pennsylvania, the District is facing increases in expenditures in areas such as salaries, health insurance, retirement, and other instructional costs. The District's expenditures are categorized into five major functions: 1) instructional, 2) support services, 3) non-instructional services, 4) capital outlay, and 5) debt service.³³ The District's expenditures increased by \$6 million during the period reviewed, which was primarily due to an approximately \$4.39 million increase in instructional expenditure costs. These expenditures are detailed in the table below.

³² As described in the *Introduction and Background*, in FYE June 30, 2021, the District received \$1,307,656 in federal COVID-19 related funding.

³³ Instructional includes all activities dealing directly with the interaction between teachers and students and related costs (salaries, contracted services, travel expenses, equipment rental, supplies, books etc.), which can be directly attributed to a program of instruction. Support services includes services that provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Non-instructional refers to activities concerned with providing non-instructional services to students, staff, or the community. Examples include food services, student activities, and community services.

A Performance Audit

Wyoming Valley West School District

Expenditures			
FYE June 30, 2019, 2020, and 2021			
Total Expenditures	FYE June 30, 2019	FYE June 30, 2020	FYE June 30, 2021
Instructional	\$ 56,317,450	\$ 57,833,446	\$ 60,708,823
Support Service	\$ 17,387,982	\$ 16,304,648	\$ 17,669,916
Non-Instructional Services	\$ 981,668	\$ 919,111	\$ 870,789
Debt Service	\$ 137,781	\$ 137,565	\$ 137,565
Capital Outlay	\$ 0	\$ 831,814	\$ 1,512,711
Total	\$ 74,824,881	\$ 76,026,584	\$ 80,899,804

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, 2020, and 2021.

As recorded in the District's School Board minutes, expenditures increased in FYE June 30, 2021, in part, due to staff receiving \$1.4 million in retroactive pay for a new teachers' contract. The payment is reflected in FYE June 30, 2021 total expenditures.

Our review of the District's instructional expenditures also found significant increases in costs for charter school tuition and special education which are discussed in the next sections.

Charter School Tuition Costs

The District's charter school tuition costs more than doubled from FYE June 30, 2019, to FYE June 30, 2021. Both charter school costs and charter school enrollment increased during the period reviewed. As reported in the table below, the number of District students attending a brick and mortar or cyber charter school almost doubled from 208 students in FYE June 30, 2019, to 405 students in FYE June 30, 2021. Consequently, charter school costs more than doubled during the same time period. During FYE June 30, 2021, charter school costs represented 5.58 percent of total expenditures. The following table shows the increase in charter school enrollment, as well as the associated increase in charter school costs during the audit period.

A Performance Audit

Wyoming Valley West School District

Charter School Enrollment and Tuition Costs ^{1/}			
FYE June 30, 2019, 2020, and 2021			
	FYE June 30, 2019	FYE June 30, 2020	FYE June 30, 2021
Enrollment	208	223	405
Charter School Tuition Costs	\$ 2,145,225	\$ 2,265,002	\$ 4,514,075
Total Expenditures	\$74,824,881	\$76,026,584	\$80,899,804
Charter School Tuition Costs as a percentage of Total Expenditures	2.87%	2.98%	5.58%

^{1/} - Includes brick and mortar charter schools and cyber charter schools.

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, 2020, and 2021, and charter school enrollment information provided by District management. Charter school enrollment data provided by District management is of undetermined reliability as noted in Appendix A. However, the data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

District management stated that charter school costs increased due to more students attending charter schools during the FYE June 30, 2021, which was the first full year during the pandemic, but further stated total enrollment and charter school tuition costs decreased during FYE June 30, 2022, subsequent to our audit period.

Special Education Expenditures

Our prior audit reported the District's special education expenditures increased by \$3.3 million or 27 percent over the four-year audit period ending June 30, 2018. Additionally, the Commonwealth reimbursements for special education expenditures during that same time period were relatively flat, increasing by approximately \$400,000 or 14 percent. As a result, we recommended the District continue to perform a cost/benefit analysis to determine if it is more cost effective to educate special education students at the District or outsource this to the intermediate unit that serves the District's intermediate unit students.

From FYE June 30, 2019, to FYE June 30, 2021, the District's special education expenditures increased \$625,557, or approximately four percent, while its reimbursements from the Commonwealth increased \$261,771, or more than seven percent. Although the increase in expenditures and reimbursements were not as significant as those reported in the prior audit, the District's special education expenditures of over \$15 million in each of the three years far exceeds its reimbursements of over \$3 million annually. As a result of the continued disparity between special education costs and reimbursements and the District's **negative fund balance**

A Performance Audit

Wyoming Valley West School District

concerns, it is imperative that the District consider all options to reduce expenditures, such as ways to reduce its special education expenditures while still providing adequate services.

General Fund Budgeting

The PSC requires that all school districts annually develop a balanced General Fund budget.³⁴ In addition, the PSC prohibits districts from spending more than the amount budgeted.³⁵ As illustrated in the table below, while the District was in compliance with these PSC budgeting requirements for FYE June 30, 2019 and 2020, it was not in compliance during FYE June 30, 2021, due to overspending its budget. Consistent with the PSC, it is vital that actual expenditures of a district do not exceed budgeted expenditures since this has a direct effect on the fund balance and can contribute to financial instability.

Budgeted vs. Actual Expenditures FYE June 30, 2019, 2020, and 2021			
FYE June 30	Budgeted Expenditures	Actual Expenditures	Difference in Budget to Actual (Under)/Over Budget
2019	\$77,813,450	\$74,824,881	\$ 2,988,569
2020	\$79,194,003	\$76,026,584	\$ 3,167,419
2021	\$80,650,271	\$80,899,804	(\$ 249,533)

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, 2020, and 2021.

The District developed budgets for FYE June 30, 2019, 2020, and 2021 with positive fund balances of \$169,819, \$228,551, and \$136,536, respectively. However, as noted in previous sections of this finding, the District ended each of those fiscal years with a **negative fund balance**. Our prior audit reported issues with the District not preparing and publicly posting on its website a multi-year budget that would assist the Board of School Directors and District management in making decisions to increase taxes and/or reduce expenditures to allow the District to achieve operating surpluses.

Although District management previously responded to the prior audit that it agreed with our recommendation and that it would prepare, at a minimum, a three-year budget that would appear on its website to offer the taxpayers, the public, and district officials the opportunity to monitor

³⁴ Section 312 (relating to "Adoption of annual budgets") of Taxpayer Relief Act. See 53 P.S. § 6926.312 (Act 1 of 2006, Special Session No. 1).

³⁵ Subsection (b) of Section 687 (relating to "Annual budget; additional or increased appropriations; transfer of funds") of the PSC. See 24 P.S. § 6-687(b).

A Performance Audit

Wyoming Valley West School District

and discuss budget issues at open meetings, current District management stated that a multi-year budget was not prepared.

Additionally, as illustrated in the table below, although the District budgeted almost \$8 million to be transferred into the General Fund over our three-year audit period from the Capital Projects Funds for debt service payments, the District only transferred approximately \$620,000. This resulted in less funds available to make its debt service payments, which contributed to the District's **negative fund balance** throughout our audit period.

Budgeted vs. Actual Amounts Transferred to the General Fund for FYE June 30, 2019, 2020, and 2021			
FYE June 30	Budgeted Transfer In	Actual Transfer In	Difference Transfer In Over (Under)
2019	\$3,000,000	\$151,177	(\$2,848,823)
2020	\$2,572,287	\$ 0	(\$2,572,287)
2021	\$2,400,000	\$468,891	(\$1,931,109)
Total	\$7,972,287	\$620,068	(\$7,352,219)

Source: Produced by staff of the Department of the Auditor General based on information in the District's audited financial statements for the FYE June 30, 2019, 2020, and 2021.

The District's budgeted amounts were significantly higher than what was actually transferred to the General Fund. *Budgeted* versus *actual* is an important consideration for establishing a baseline for budgets. The District failed to analyze differences with the budgeted versus actual transfer amounts and adjust its budget accordingly for debt service payments. When significant differences occur, the District should assess them to adjust the budgeted amounts for the next fiscal year. This proactive approach would assist the District to make necessary adjustments to reflect budgeted amounts that are closer to actual amounts.

Overall Conclusion

The District's General Fund balance continued to decline and reached **negative fund balance** levels during our audit period of July 1, 2018, through June 30, 2021, and the financial stability of the District continually deteriorated. During this period, the District had a cumulative operating deficit which caused the District to borrow short-term funds, close a school building, and not replace teachers who retired or had left the District. The operational deficits were in part due to increased costs with charter school tuition, special education, and debt service expenditures.

The District did not adequately budget these expenditures to have sufficient revenue to meet these increasing costs, especially with the debt service payments, and therefore its financial position decreased during our audit period. Although the recently released FYE June 30, 2022 financial statements report a positive fund balance for the District, if the District does not

A Performance Audit

Wyoming Valley West School District

continue to make significant operational changes to avoid further decreases in its financial position, it could cause the District to be in danger of being placed on *financial watch status* (through an early warning system) by PDE, continue to borrow through short term loans, close additional buildings, and continually reduce staff through attrition.

Additionally, it is critical for school districts to adhere to the provisions of the PSC and the Taxpayer Relief Act (Act 1 of 2002) and to consider economic conditions and trends in its budget practices.

Recommendations for Finding 1

We recommend that the Wyoming Valley West School District:

1. Prepare a multi-year budget that will assist the board and District management in making decisions to increase taxes and/or reduce expenditures to allow the District to increase its General Fund balance from a negative amount and to achieve and maintain operating surpluses.
2. Display the multi-year budget prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meetings.
3. Continue to perform a cost/benefit analysis to determine if it is more cost effective to educate special education students at the District or outsource this to the Intermediate Unit that serves the District's Intermediate Unit students.

A Performance Audit

Wyoming Valley West School District

Finding 2 – The Wyoming Valley West School District failed to maintain all documents necessary to support its transportation reimbursement information submitted to PDE.

The Wyoming Valley West School District (District) did not implement an adequate internal control system over the input, calculation, proper evaluation, and reporting of transportation transaction data.³⁶ This resulted in the District's failure to obtain, review, and retain adequate documentation to support the transportation information submitted to the Pennsylvania Department of Education (PDE) for the 2020-21 school year.³⁷ Without supporting source documentation, we could not confirm the accuracy of the transportation transactions and information submitted to PDE. Additionally, we could not conclude if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations.

Transportation issues were also reported and recommendations made in the District's prior audit released in November 2019. This finding will discuss the status of the prior audit finding (partially resolved), as well as the results of current audit work performed for the 2020-21 school year. Although our current three-year audit period also covered the 2018-19 and 2019-20 school years, we only performed audit procedures for the most recent 2020-21 school year because the District indicated that it had the same procedures in place throughout the audit period. Issues identified in our review of the 2020-21 school year would, therefore, be applicable to the other two school years in the audit period. The results of our audit procedures are discussed in detail in the following finding sections:

- Lack of supporting documentation for regular transportation reimbursement.
- Lack of supporting documentation for supplemental transportation reimbursement.
- Lack of supporting documentation for non-reimbursable students.
- Overall weaknesses resulting in ongoing issues with reporting transportation data to PDE.

³⁶ Generally, internal controls are a process of activities used by management to control risks to an agency to help the agency achieve its mission and objectives related to operations, reporting, and compliance. *Standards for Internal Control in the Federal Government*, known as the Green Book, sets internal control standards for federal entities, which was adopted for Pennsylvania agencies by the Governor's Office under the Commonwealth of Pennsylvania Management Directive 325.12 (Standards for Internal Controls in Commonwealth Agencies) issued October 1, 2021.

³⁷ Although District management provided us transportation documents from a file maintained by the former Transportation Director, the data on these documents did not support the transportation information submitted to PDE. This information was determined to be not sufficiently reliable as discussed in later sections of the finding and in *Appendix A*.

A Performance Audit

Wyoming Valley West School District

Lack of Supporting Documentation for Regular Transportation Reimbursement

As reported in *the Introduction and Background*, school districts were offered two options for calculating and reporting student transportation reimbursements for only the 2020-21 school year due to the COVID-19 pandemic.³⁸ The first option was to receive an amount based on the 2019-20 school year data, and the second option was to receive an amount based on 2020-21 school year data. Although the District selected the first option to receive a reimbursement amount based on 2019-20 school year data, management was still required to submit the District's 2020-21 school year transportation data to PDE. Therefore, we performed audit procedures on the transportation data the District submitted to PDE for the 2020-21 school year.

Regular transportation reimbursement is based on several components that are reported by a school district to PDE for use in calculating the district's annual reimbursement amount.³⁹ PDE guidelines state that districts are required to report the number of days a vehicle is in service, the average number of students assigned to each vehicle, as well as the miles per day, to the nearest tenth, that each vehicle travels with and without students.⁴⁰ In addition, districts are required to report the number of students transported who were eligible and not eligible for reimbursement to PDE.

The results of our audit procedures found that the District was unable to provide documents to support the transportation data (vehicle mileage and the number of students transported as well as the number of days students were transported) it reported to PDE for the 2020-21 school year reviewed as described in further detail below. Additionally, we were unable to conclude if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations.

³⁸ **Option 1:** If a school district wants to receive the same Pupil Transportation Subsidy calculated for the 2020-21 fiscal year (based on school year 2019-20 data), it must certify to PDE that all transportation contractors were paid as if the COVID-19 response did not impact transportation services, minus the variable costs certified to the school district by its transportation contractors.

Option 2: If a school district wants to receive the funding based on the amount calculated for payment for the 2021-22 fiscal year (based on school year 2020-21 data), it should simply submit its transportation data to PDE and its their Pupil Transportation Subsidy will be calculated accordingly. Subsection (m.1) of Section 1501.8 (relating to "Pandemic of 2020") of the PSC created a modified calculation of the Pupil Transportation Subsidy for the 2020-21 school year, payable in the 2021-22 school year. See 24 P.S. § 15-1501.8(m.1) (added by Act 136 to 2020, effective November 25, 2020).

³⁹ As described in the *Introduction and Background*, school districts receive two separate transportation reimbursement payments from PDE, referred to as regular and supplemental.

⁴⁰ PDE's *Form Completion Instructions – PDE-1049 Transportation Service Forms*, dated January 2014. <https://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed November 3, 2022).

A Performance Audit

Wyoming Valley West School District

Vehicle mileage and the number of students transported

PDE provides school districts with two options for calculating mileage and the number of students transported.⁴¹ Both of the methods require the District to obtain mileage amounts and the number of students transported on multiple days throughout the school year.⁴²

The District reported to PDE vehicle information for 58 vehicles used during the 2020-21 school year. We attempted to perform testing on 16 of the 58 vehicles. However, the District only provided us one month of odometer readings that reported miles with and miles without students for only 11 of the 16 vehicles selected for review. Furthermore, our review of the documents for the 11 vehicles found that the odometer readings for 9 of the 11 vehicles did not agree with the mileage reported to PDE.⁴³ Additionally, regarding the number of students transported, the District was unable to provide us with a comprehensive bus roster that listed the number of students assigned to each vehicle during the school year. Therefore, we could not confirm the vehicle mileage and number of students transported information submitted to PDE.

Days Transported Guidelines

Regarding the number of days students were transported, management was unable to locate a school calendar used for the purpose of documenting student days in session. Instead, management provided us with a general District school calendar that did not contain data for the nonpublic and charter schools.⁴⁴ Based on the general calendar provided, we could not confirm the number of days reported to PDE for each vehicle that transported students. In an additional attempt to support the number of days students were transported, the District provided invoices for the number of days the District paid its transportation contractor for transportation services provided. However, we did not receive invoices for all requested vehicles. Therefore, we were unable to confirm the number of student transportation days the District reported to PDE for the 2020-21 school year.

⁴¹ PDE's *Instructions for Worksheet Completion – Worksheet for Computing Sample Averages* issued August 2007. <https://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20SampleAverageWorksheet.pdf> (accessed November 3, 2022) and PDE's "Weighted Average Examples" <https://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20WeightedAverageExamples.pdf> (accessed May 3, 2023).

⁴² This includes maintaining monthly odometer/mileage readings (or more frequent readings if there were changes made to a vehicle route) to support the number of miles each vehicle traveled with and without students.

⁴³ The number of vehicles used to transport students during the 2020-21 school year as reported to PDE on the PDE-2518 was determined to be not sufficiently reliable as noted in *Appendix A*.

⁴⁴ Although the District receives a supplemental reimbursement for the number of students that attend nonpublic and charter schools, its regular reimbursement amount is calculated, in part, based on the total number of students transported regardless of whether they attend a public, nonpublic, charter school, etc.

A Performance Audit

Wyoming Valley West School District

As previously stated, without complete supporting documentation, we were unable to confirm the accuracy of the number of miles, students, and days students were transported that were reported to PDE for the 2020-21 school year. We acknowledge that the 2020-21 school year was not a typical year. Due to the COVID-19 pandemic, the District offered both virtual and in-person education throughout the school year, which affected student transportation. However, the District should follow PDE requirements regarding calculating transportation and maintain all supporting documentation for the information submitted to PDE for transportation reimbursement.

Lack of Supporting Documentation for Supplemental Transportation Reimbursement

The PSC requires school districts to provide transportation services to students who reside in its district and who attend a nonpublic or charter school.⁴⁵ School districts receive a supplemental reimbursement of \$385 for each nonpublic and charter school student transported by the District.⁴⁶

For the 2020-21 school year, the District reported to PDE 242 nonpublic and 19 charter school students and received reimbursement payments totaling \$100,485. We requested a list of the students that comprised the number of students reported to PDE; however, the lists provided by the District listed a total of 256 nonpublic students and 23 charter students. Therefore, the District did not accurately report the total number of students based on its own student listings.⁴⁷ This discrepancy may have been caught and corrected if the District had assigned another staff member to review transportation information prior to it being submitted to PDE.

We randomly selected 60 nonpublic and all 23 charter school students from the lists provided by the District and attempted to verify that the students were transported to the respective nonpublic or charter school.⁴⁸ The District did not have supporting documentation for 8 of the 60 nonpublic and 6 of the 23 charter school students selected for testing. No exceptions were noted during our

⁴⁵ Section 2509.3 (relating to “Payments on account of transportation of nonpublic school pupils”) of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. This payment is provided for charter school students in Section 1726-A(a) of the Charter School Law through its reference to Section 2509.3 of the PSC. *See* 24 P.S. §§ 25-2509.3 and 17-1726-A(a).

⁴⁶ *Ibid.* Further, pursuant to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements. *See* Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

⁴⁷ The number of non-public and charter school students transported by the District during the 2020-21 school year as reported to PDE on the PDE-2576 was determined to be not sufficiently reliable as noted in *Appendix A*.

⁴⁸ Documents used to verify a student’s transportation to a non-public school included Request for Transportation forms submitted to the District by the students’ parent/guardian and student rosters provided by the respective non-public schools.

A Performance Audit

Wyoming Valley West School District

review of the records that were provided by the District for the remaining 52 nonpublic and 17 charter school students.

The District's lack of supporting documentation precluded us from determining the accuracy of the nonpublic school and charter school students transported and, therefore, we could not confirm the accuracy of the supplemental transportation data reported to PDE for the 2020-21 school year or if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations.

Lack of supporting documentation for non-reimbursable students

Our prior audit transportation finding reported the District inaccurately reported students who lived on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route as non-reimbursable.⁴⁹ We made one recommendation to PDE to adjust the District's future allocations to recover a net overpayment of \$5,134. The \$5,134 is the net amount of over/(under) payments of (\$12,392), (\$15,331), \$17,694, and \$15,163 calculated for the 2013-14 through 2016-17 school years, respectively.

As part of our current audit procedures, we asked District management if PDE adjusted the District's allocations to recover the net overpayment. District management responded by providing the FYE June 30, 2019, through June 30, 2022 subsidy reports from PDE and stated they did not see the deduction on the reports.⁵⁰ We reviewed the reports provided by the District and although we did not find the net overpayment amount deducted, we did note that only the underpayment amount of \$15,331 reported for the 2014-15 school year was reported being paid to the District during the 2020-21 school year. The reports did not note adjustments for the remaining three years reported in the prior audit finding. Therefore, as a result of PDE only making one adjustment, the remaining net amount of overpayment made by PDE to the District is \$20,465.⁵¹ District management does not know if PDE intends to make the adjustments to the current year or future year subsidies but has a *responsibility to follow-up with PDE* to inquire the status of the adjustments recommended in the prior audit report.

⁴⁹ Elementary students residing within 1.5 miles of their respective school or secondary students residing within 2 miles of their school are not eligible as reimbursable unless the student resides on a PennDOT determined hazardous walking route. PDE's *Form Completion Instructions – PDE-2089 Summary of Pupils Transported* form <https://www.education.pa.gov/Teachers%20-%20Administrators/Pupil%20Transportation/Pages/default.aspx> (accessed November 3, 2022).

⁵⁰ *Audit Confirmation of Subsidy Payments* report issued by PDE's Office of Comptroller Operations Financial Accounting Information that reports for a specific fiscal year, a breakdown by revenue area of payments by PDE to the District. The *Audit Confirmation of Subsidy Payments* report is of undetermined reliability as discussed in *Appendix A*.

⁵¹ The \$20,465 is the net amount of over/(under) payments of (\$12,392) in the 2013-14 school year and \$17,694 and \$15,163 calculated for the 2015-16 and 2016-17 school years, respectively.

A Performance Audit

Wyoming Valley West School District

We performed further audit procedures to review the information provided to PDE for the 2020-21 school year. The District provided us with a list of 661 hazardous route students for the 2020-21 school year, which agreed with the total number of hazardous route students reported to PDE. We randomly selected 60 students for review to determine if they met the criteria for the District to report them as students on a hazardous route. Based on our analysis of each student's home address and the school they attended, it appears that the District incorrectly reported 9 of the 60 students because the students resided more than either the 1.5 or 2 mile travel distance threshold in PDE's criteria.⁵²

District management speculated the differences could be the result of a family moving and the address not being updated in the information provided to us or due to transporting students to before or after school care rather than the home address. However, the District should maintain documentation to support the justification for reporting those students on hazardous routes to PDE. Although we determined that there is no monetary effect regarding the nine students, it is imperative that the District accurately determine and report to PDE hazardous route students, as well as maintain documentation to support the determinations.

Overall Weaknesses Resulting in Ongoing Issues with Reporting Transportation Data to PDE

Our review included interviews and correspondence with the District's current Finance Manager and Transportation Director; however, both of these staff members were new to their positions as of July 2022. Therefore, neither were involved with reporting the District's transportation data to PDE during our audit period of July 1, 2018, through June 30, 2021.⁵³ During our inquiries, management was in many cases unable to respond to our questions and as discussed in detail in earlier sections of the finding, unable to produce documents necessary to support transportation data submitted to PDE. As employee turnover is a common occurrence, it is imperative the District have written policies and procedures and internal controls in place to ensure that operations occur according to applicable laws, regulations, and guidelines, and that records are maintained to document work performed. Specifically, the District must obtain and retain transportation data in accordance with the Public School Code (PSC) requirements and best business practices.⁵⁴ Therefore, the District should adopt a strong system of internal controls and

⁵² The data provided for the number of students transported by the District during the 2020-21 school year that live on hazardous routes as reported to PDE on the PDE-2576 was determined to be not sufficiently reliable as reported in *Appendix A*.

⁵³ Although the current Finance Manager and Transportation Director were not in their current positions during the audit period, the current Superintendent and other Business Office and Transportation Department staff were employed during the audit period and participated in interviews. Additionally, current District management contacted the former Transportation Director for assistance regarding transactions that occurred during the audit period.

⁵⁴ Section 518 (relating to "Retention of records") of the PSC requires that the financial records of a district be retained by the district for a period of not less than six years. *See* 24 P.S. § 5-518.

A Performance Audit

Wyoming Valley West School District

adequate procedures for its transportation operations that should include, but is not limited to, the following:

- Proper segregation of duties.
- Performing data analysis to identify fluctuations.
- Training staff on PDE reporting requirements.
- Maintaining up-to-date written policies and procedures.

Our current review, as well as the prior audit, found issues with all four of the above listed items, which are discussed in the following sections.

Proper segregation of duties

The transportation data submitted to PDE during the audit period was the responsibility of one staff member (the prior Transportation Director) with no detailed review performed by another individual. This issue was also identified in our prior audit report. Prior District management responded that the transportation data will be reviewed by an independent individual before submitting information to PDE and the documentation will be signed and dated by the reviewer. However, current District management stated there was no review performed during our current audit period. District management further stated that transportation data will now be prepared by the District's Transportation Director and reviewed by the Transportation Secretary. Additionally, management stated that the Finance Manager will review the data as an independent individual prior to the Superintendent's submission of a sworn statement that the data is accurate.⁵⁵ We did not, however, review current District processes as part of our audit procedures. However, because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide the superintendent with the confidence needed to sign the sworn statement. This includes proper segregation of duties and a review of transportation data prepared for submission to PDE.

⁵⁵ To be eligible for transportation reimbursements, school districts are required to annually file with PDE a sworn statement, which includes the superintendent's signature, attesting to the accuracy of student transportation data submitted to PDE for the prior and current school years. *See* 24 P.S. § 25-2543 (relating to "Sworn statement of amount expended for reimbursable transportation; payment; withholding"). Section 2541(a) of this section states, in part: "School districts shall be paid by the commonwealth for every school year on account of pupil transportation which... have been approved by the Department of Education... an amount to be determined by multiplying the cost of approved reimbursable pupil transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes..." *See* 24 P.S. § 25-2541(a). As noted earlier in the report, while a sworn statement is different from an affidavit, in that a sworn statement is not typically signed or certified by a notary public but are, nonetheless, taken under oath. *See* <https://legaldictionary.net/sworn-statement/> (accessed May 22, 2023). PDE's *Form Completion Instructions – Certification of Transportation Operations*. <https://www.education.pa.gov/Teachers%20-%20Administrators/Pupil%20Transportation/Pages/default.aspx> (accessed November 3, 2022).

A Performance Audit

Wyoming Valley West School District

Performing data analysis to identify fluctuations

An additional tool for the District to use to identify discrepancies in transportation data submitted to PDE is to conduct a multi-year trend analyses of student (also referred to in this report as a pupil) transportation data and transportation subsidies to help identify unexpected fluctuations. These analyses were also recommended in the prior audit report. Although previous District management responded to the prior report that a yearly analysis would be performed by the Director of Transportation, current District management stated that the District sends out bus forms to families each spring and that routes may be adjusted or rebalanced as a result. However, annual contact with families and subsequent route adjustments do not provide an annual multi-year trend analyses as recommended to identify unexpected fluctuations.

Training staff on PDE reporting requirements

According to current District management, neither the prior nor the current Transportation Director attended transportation-related training. The lack of training led to an issue discussed in an earlier section of the finding regarding the District not submitting to PDE transportation data based on two options provided by PDE for Districts to calculate vehicle mileage and the number of students transported. Training staff on PDE requirements for the collection, calculation, and reporting of transportation data to PDE is critical to help ensure accurate transportation data is submitted to PDE.

Maintaining up-to-date written policies and procedures

The District's written policies were not provided to us for our review. District management acknowledged the District's policy manual has been neglected, and is therefore outdated. District management further stated they are working on updating the District's policy manual. Additionally, the District does not have written procedures for the District's transportation operations to help ensure accurate reporting of transportation data to PDE. Written procedures regarding specific steps staff should take in collecting, calculating, reporting, and retaining transportation information will also assist new staff members when turnover occurs.

Overall Conclusion

Based on audit procedures performed, we concluded the District did not have adequate internal controls in place and failed to obtain and retain appropriate supporting documentation and report accurate transportation data to PDE. Therefore, we could not confirm the accuracy of the transportation data submitted to PDE for its regular and supplemental transportation reimbursements for the 2020-21 school year. Although audit procedures were not performed on the data submitted to PDE for the 2018-19 and 2019-20 school years used to calculate the District's transportation reimbursements, since the District indicated that the former staff members and procedures were in place throughout the audit period, we question the accuracy of the data for those school years. Additionally, we could not conclude if the District was in

A Performance Audit

Wyoming Valley West School District

compliance with applicable laws, regulations, and reporting requirements governing transportation operations.

Adding adequate internal controls and procedures will assist the District with ensuring the retention of sufficient documentation and will reduce the risk of inaccurate data being reported to PDE in future years.

As a state public auditing agency, we are very concerned about the District's very weak internal controls, lack of documentation, lax review processes, and deficient and outdated policies and procedures. We strongly encourage the District to address these inadequacies in accordance with our recommendations.

Recommendations for Finding 2

We recommend the Wyoming Valley West School District:

1. Develop and implement an internal control system over its transportation operations. This should include, but not be limited to, the following:
 - a) Developing adequate segregation of duties that includes assigning a review of transportation data performed by an employee other than the employee who prepared the data before it is submitted to PDE.
 - b) Conducting annual multi-year trend analyses of student transportation data and transportation subsidies to help identify unexpected fluctuations. Any unexplained fluctuations should be investigated to provide additional assurances that the data is accurately reported to PDE.
 - c) Training staff on PDE's reporting requirements for all personnel involved in collecting, calculating, and reporting transportation data. District should inquire of availability of training from the Pennsylvania School Boards Association (PSBA) and Intermediate Units.
 - d) Developing clear and concise written policies and procedures regarding transportation operations including, but not limited to, collecting, calculating, and reporting of transportation data. The District should consider seeking assistance from the PSBA to assist in developing these policies and procedures.
2. Ensure that supporting documentation for all regular and supplemental transportation data is obtained, reviewed, and retained in accordance with Public School Code (PSC) and PDE requirements. This includes, vehicles mileage/odometer readings, student bus rosters, calendars of student transportation days for all students, and documents supporting the request for student transportation to nonpublic and charter schools.

A Performance Audit

Wyoming Valley West School District

3. Perform periodic reconciliations of transportation data such as mileage, vehicles, students being transported (including public, non-public school, and charter school), and hazardous routes to available documents to ensure that all data is accurately captured and recorded throughout the year. For example, reconciling the number of non-public and charter school students listed on the student bus rosters to student request for transportation supporting documents.
4. Review the transportation data issues for the 2020-21 school year noted in this finding and the transportation data reported to PDE for the 2018-19 and 2019-20 school years to determine if similar errors were made and, if necessary, submit revised transportation reimbursement reports to PDE.
5. Inquire of PDE the status of the underpayment and two overpayments applicable to the 2013-14, 2015-16, and 2016-17 school years reported in the prior audit finding.

A Performance Audit

Wyoming Valley West School District

Finding 3 – The Wyoming Valley West School District did not maintain and retain documentation to support its procurement process and approval for contracted services.

The audit objective pertaining to this finding was to determine whether the Wyoming Valley West School District's (District) service contracts (contracts) were Board approved as required by the Public School Code (PSC).⁵⁶ In addition, the audit objective included determining whether the service contracts were in the best financial interest of the District and monitored to ensure contracted services were properly delivered.

Based on our audit procedures, we found the District lacked the following:

- A complete list of its service contracts.
- Written procedures pertaining to its procurement process.
- Documentation supporting its procurement process and approval of contracts.
- Documentation to demonstrate that contracts are monitored.

As a result of the above issues, we could not determine if all of the District's service contracts selected for review were Board approved as required, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered. The District's lack of standard written procedures and supporting documentation could result in excessive costs, duplicated contracted services, and potential waste of taxpayer funds that could be used to educate students. The following sections discuss each of these areas in detail.

District lacked a complete list of its service contracts.

The District did not maintain a centralized list of service contracts. District management stated that instead, each of the District's departments maintains a list of contracts and pertinent information such as the contract time period. Although it is necessary for each department to maintain records and monitor vendors providing services specific to their department, it is also critical that management within the District's business office also maintain documents regarding all of the District's contracts.

Although District management provided us with contract lists from various departments, we determined through our audit procedures that the lists did not include all service contracts

⁵⁶ Section 508 (relating to "Majority vote required; recording") of the PSC requires that: "[t]he affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects:-- ***Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100).***" See 24 P.S. § 5-508.

A Performance Audit

Wyoming Valley West School District

entered into by the District.⁵⁷ Service contracts that were discussed as examples during interviews with District staff and Board members were not on the lists provided. Additionally, we found the names of vendors that typically provide services to its clients on the District's vendor payment lists that were not on the District's contract lists.⁵⁸ The lack of maintaining complete lists results in District management being unable to properly monitor its service contract operations, such as knowing the type and duration of contracts that are in place after these contracts are approved by the Board as well as the overall monitoring of all service contracts.

District lacked written procedures pertaining to its procurement process.

The District's absence of written procedures has contributed to its lack of designing and implementing internal controls for procurement.⁵⁹ Specifically, the District does not have written procedures and lacks internal controls to ensure service contracts (contracts) are properly obtained, approved, and monitored.

Regarding its procurement policy, District management stated it follows federal purchasing guidelines for purchases subject to federal guidelines.⁶⁰ Additionally, management stated that the District follows Pennsylvania Department of Education (PDE) policy and the *Pennsylvania Code* (relevant state regulations) for all other purchases pursuant to the Department of Labor and Industry's (L&I) relevant Notices of the *Pennsylvania Bulletin*. However, although there are procurement requirements regarding goods/supplies and construction-related services and purchases using federal funds, there are no requirements regarding procuring general-type

⁵⁷ The determination that the service contract lists were not sufficiently reliable is discussed in *Appendix A*. However, the data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

⁵⁸ The vendor payment lists are of undetermined reliability as discussed in *Appendix A*. However, the data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

⁵⁹ Generally, internal controls are a process of activities used by management to control risks to an agency to help the agency achieve its mission and objectives related to operations, reporting, and compliance. *Standards for Internal Control in the Federal Government*, known as the Green Book, sets internal control standards for federal entities, which was adopted for Pennsylvania agencies by the Governor's Office under the Commonwealth of Pennsylvania Management Directive 325.12 (Standards for Internal Controls in Commonwealth Agencies) issued October 1, 2021.

⁶⁰ PDE's *Uniform Guidance Implementation Guide: Procurement*.

A Performance Audit

Wyoming Valley West School District

services.⁶¹ District management further stated that it is in the process of updating District policies with the help of the Pennsylvania School Boards Association (PSBA).⁶²

District lacked documentation supporting its procurement process and approval of contracts.

The audit period covered July 1, 2018, through June 30, 2021; however, our audit procedures focused on service contracts active during the fiscal year ended (FYE) June 30, 2021, that exceeded \$11,300. This amount is the threshold for requiring quotes or formal bidding for procuring **goods/supplies** and was used in the absence of state requirements for school districts to obtain quotes or bids for **service-type contracts**.⁶³ Audit procedures were performed to determine if the service contracts and subsequent payment transactions made to the vendors were in the best financial interest of the District.⁶⁴

Based on the various department contract lists provided by District management, our analysis found that the District had **17 service contracts** during FYE June 30, 2021, that exceeded the threshold of \$11,300 used in our test selection.⁶⁵ We selected five contracts from these lists for review. As a result of our determination that the lists provided by District management did not contain all service contracts in place, we also selected two vendors that were paid for providing services to the District but were not included on the contract lists. This resulted in a total selection of six vendors that provided services to the District for **seven service contracts**.⁶⁶ The seven contracts included services provided to the District for food services, copiers, insurance coverage, security services at the schools, and three contracts for student bus transportation.

⁶¹ Section 751 (relating to “Work to be done under contract let on bids; exception”) and Section 807.1 (relating to Purchase of supplies) of the PSC, 24 P.S. §§ 7-751 and 8-807.1. See also PDE’s *Uniform Guidance Implementation Guide: Procurement*, Section E – Procurement Threshold Chart – For Local Education Agencies, issued April 2018 and L&I’s “Notices – Consumer Price Index Adjustment of Base Amounts on Bids Effective January 1, 2020; Correction,” dated December 14, 2019 (49 Pa.B. 7373).

⁶² PSBA offers expert policy services tailored for school districts, as well as administrative regulations guides to assist administrators with implementing board policy. <https://www.psba.org/member-services/school-policy/> (accessed May 15, 2023).

⁶³ L&I’s “Notices – Consumer Price Index Adjustment of Base Amounts on Bids Effective January 1, 2020; Correction,” dated December 14, 2019 (49 Pa.B. 7373).

⁶⁴ PDE’s *Uniform Guidance Implementation Guide: Procurement*, Section E – Procurement Threshold Chart – For Local Education Agencies, issued April 2018 and L&I’s “Notices – Consumer Price Index Adjustment of Base Amounts on Bids Effective January 1, 2020; Correction,” dated December 14, 2019 (49 Pa.B. 7373).

⁶⁵ Service contracts may cover multiple fiscal years, therefore, some of the contracts selected for review were entered into prior to FYE June 30, 2021, and some prior to the beginning of our audit period of July 1, 2018.

⁶⁶ The District entered into two separate contracts with one vendor; therefore, there were only six vendors for the seven contracts. Additionally, one vendor provided insurance coverage to the District so although the District would have signed policies rather than contracts with the vendor, for purposes of this finding, we will collectively refer to the agreements between the District and all the vendors as contracts.

A Performance Audit

Wyoming Valley West School District

We found that District management was unable to locate or provide certain documentation for the seven contracts reviewed, including:

- Lack of copies of two contracts.
- No evidence the District’s solicitor reviewed and approved any of the seven contracts.
- Lack of some of the documentation to support the solicitation of bids or proposals process for three contracts for which the District management indicated that it obtained bids or proposals.⁶⁷
- Lack of Board meeting minutes documenting Board approval of five contracts.
- Lack of 2 of 41 Board member Statements of Financial Interests during the calendar years 2018 through 2021.⁶⁸

The PSC requires the board of school directors to retain meeting minutes as a permanent record of the district, as well as school districts to retain financial records, including contracts, for a period of not less than six years.⁶⁹ As listed above, we found the District was unable to locate various documents related to the procurement of service contracts. Due to turnover in management staff since the FYE June 30, 2021, District management was unable to provide an explanation as to why the documents were not available.

The following sections discuss in detail the lack of internal controls regarding the procurement process resulting in the District being unable to locate or provide supporting documentation to us for review.

Lack of copies of two contracts and no evidence the District’s solicitor reviewed and approved any of the seven selected contracts.

We requested copies of each of the seven selected contracts active during the period of FYE June 30, 2021. District management could not provide two of the seven contracts.⁷⁰ In lieu of the two contracts, District management instead provided the proposals signed by the vendors and

⁶⁷ Unlike with the procurement of goods/supplies and construction-related service, the District was not required to seek quotes, proposals, or bids for the remaining four service contracts reviewed. This is due to there not being any applicable requirements regarding procurement of services for school districts. However, as discussed in later sections it is in the best financial interest for the District to seek bids and proposals, etc. from multiple vendors for contracted services.

⁶⁸ Contracts in place during FYE June 30, 2021, may have been entered into in prior years. As a result, our review includes SFIs (which are based on a calendar year rather than fiscal year) for the Board members in place during the calendar years that fell within the full audit period of July 1, 2018, through June 30, 2021.

⁶⁹ Section 518 (relating to “Retention of records”) of the PSC provides: “[e]very board of school directors shall retain as a permanent record of the district, the minute book, each annual auditor’s report, and each annual financial report. All other financial records of the district, including financial account books, orders, bills, contracts, invoices, receipts, and purchase orders shall be retained by the district for a period of not less than **six years**....” (Emphasis added.) See 24 P.S. § 5-518.

⁷⁰ Although the District did not provide two of the contracts, for purposes of this finding, we will collectively refer to the services provided by the vendors as contracts.

A Performance Audit

Wyoming Valley West School District

submitted to the District for consideration.⁷¹ Although the documents listed the proposed terms and prices, without signed contracts, we were unable to determine if the contracts' terms were agreed to by all parties or changed prior to execution of the contracts.

The five contracts provided for review contained contract terms and were signed by both the District and vendor. Although District management stated that contracts were reviewed by its solicitor, there was no indication on the contracts or other evidence demonstrating that they had been reviewed. It is critical for a solicitor to review each contract's terms and conditions since, if not properly structured, it could have negative consequences for a district. Further, solicitor review is in the best interest of the District since signed contracts are legally binding.

Upon inquiry, District management stated the contracts were likely reviewed and approved; however, the District's solicitor changed in July 2022 so they could not confirm or provide proof that the review had occurred. District management further stated that its current procedure is for the solicitor to review all contracts; however, we did not review contracts entered into by the District after the new solicitor began in July 2022 to determine if the solicitor provides written proof of review of the contracts as part of our audit procedures.

Lack of some of the documentation to support the solicitation of bids or proposals process for three contracts for which District management indicated that it obtained bids or proposals.

While not legally required, it is in the best financial interest of the District to perform procedures to determine the best pricing that can be obtained for services the District obtains from vendors. The District provided documentation to support it requested and received proposals for three of the seven contracts we reviewed. However, the documentation did not include evidence regarding who attended the meetings to open and review proposals submitted by vendors, specific information for all the proposals submitted, and the results of the meeting that led to the selection of the successful vendor.

District management stated the documents could not be located due to staff turnover. Without documentation, we are unable to determine if the members of the contract review committee agreed to the results and with the awarding of the bids to the lowest responsible bidder. For the remaining four contracts we reviewed, District management stated it was unable to provide supporting documentation and was unsure if proposals were requested for the services. In the absence of obtaining proposals and retaining the documentation to support its decisions, the District cannot be assured that contracts entered into are in the best financial interest of the District.

⁷¹ For one vendor, in addition to the vendor's proposal, the District provided a signed contract with the District for the FYE June 30, 2022 instead of the FYE June 30, 2021.

A Performance Audit

Wyoming Valley West School District

Lack of Board meeting minutes documenting Board approval of five contracts.

The PSC requires an affirmative vote of a majority of all the members of the Board prior to the District entering contracts of more than \$100 of any kind.⁷² The District, however, did not provide Board minutes documenting the results of the votes to approve five of the seven contracts. We requested the Board minutes twice and District management responded that it had provided the minutes. However, the District only provided the Board minutes for the period of July 1, 2018, through September 14, 2022. The District initially entered into four of the five contracts in question prior to July 1, 2018; therefore, the original Board approval of those four contracts would be in Board minutes prior to July 1, 2018, which were not provided. Additionally, we were unable to locate approval for one contract approved after July 1, 2018, in the Board minutes provided, resulting in five of the seven contracts without evidence to support Board approval.

The lack of Board minutes prevented us from determining whether Board members properly approved the contracts, including which Board members voted on the contract, or if any Board members abstained from voting because of a potential conflict of interest (further discussed in the next section). A review of the Board minutes provided for two of the seven contracts showed all voting Board members approved the contracts.

Lack of 2 of 41 Board member Statement of Financial Interests (SFI) during the calendar years 2018 through 2021.

Regarding voting on potential contracts for the District, Board members must abstain from a vote if they have a conflict of interest under the Public Official and Employee Ethics Act (Ethics Act).⁷³ To determine if any of the District's Board members had a conflict of interest with any of the six vendors awarded the seven contracts that we selected for review, we requested the 41 SFIs that should have been filed by individuals on the Board during the calendar years 2018 through 2021. According to the Ethics Act, Board members and members of the district administration shall file an SFI for the preceding calendar year with the governing authority no later than May 1 of each year that the person holds such a position and the year after such person leaves such position.⁷⁴

The District was unable to provide 2 of the 41 requested SFIs for two Board members. With the District not obtaining and retaining SFIs, risk increases that District Board members could approve contracts where a potential conflict of interest exists. One Board member's SFI was missing for 2019, and the second Board member's SFIs was missing for 2021. District management did not indicate why the SFIs were not on file; however, our review found that both

⁷² Section 508 (relating to Majority vote required; recording) of the PSC, 24 P.S. § 5-508.

⁷³ Section 1102 (relating to Definitions) of the Ethics Act pertaining to "Conflict or Conflict of Interest". See 65 Pa.C.S. § 1102.

⁷⁴ Section 1104 (relating to Statement of financial interests required to be filed) of the Ethics Act. See 65 Pa.C.S. § 1104.

A Performance Audit

Wyoming Valley West School District

the Finance Manager and Board Secretary were new to the District as of July 2022, subsequent to the years for which the SFIs were not available.

Our review of the 39 SFIs provided by the District did not indicate a conflict of interest with any of the Board members and the six vendors. As an additional audit procedure, we requested the SFIs for the individuals that were in the positions of Superintendent and Finance Manager during the audit period and did not find a conflict of interest noted with the six vendors.

District lacked documentation to demonstrate that contracts are monitored.

To determine if the District monitors vendors to ensure that services were being provided to the District and related transactions (i.e. vendor payments) were made in compliance with contract terms, we asked District management to explain its monitoring procedures and to provide supporting documentation of such procedures. District management stated department heads monitor contracts but do not maintain any documentation to support the monitoring performed. If an issue is identified, the contractor would be notified as soon as possible, but the only time an issue would be documented is for a serious infraction. District management did not provide us any documentation indicating serious infractions had occurred with the seven service contracts we reviewed.

In order to determine if, at a minimum, District staff performed a review of payments to the vendors for services rendered at the agreed upon prices, we judgmentally selected four payments (one from each quarter of FYE June 30, 2021) made to each of the six vendors for the seven contracts reviewed and requested the District provide us the applicable invoices to determine if approval for payment was noted on each invoice.⁷⁵ District management provided the 24 invoices and additional documentation on file associated with the invoices.

Our audit procedures performed for these invoices confirmed the general type of services and amounts charged agreed to the terms of the respective contracts.⁷⁶ However, we found that only 11 of the 24 invoices included initials (and in some instances comments relative to the services provided) by an appropriate District staff indicating review and approval of invoices.⁷⁷ The remaining 13 invoices did not have any markings, such as initials, or a signature indicating

⁷⁵ Regarding the one vendor with two District contracts, the vendor provides similar services to the District under both contracts and combines the services rendered on one invoice to the District. Therefore, four of the invoices selected covered two of the contracts. (See also *Appendix A* for further explanation of the selection methodology.)

⁷⁶ For the two services that the District only provided proposals rather than signed contracts, we compared the service type and amounts charged on the invoices to the information listed in the proposals.

⁷⁷ Appropriate staff was based on the individual's position at the District and how it related to the type of services being provided by the vendor. For example, transportation related invoices were initialed by the District's Transportation Director.

A Performance Audit

Wyoming Valley West School District

approval.⁷⁸ District management stated currently the Finance Manager is signing all invoices. However, we did not review invoices paid after June 30, 2021, as part of our procedures, and therefore, did not confirm this is occurring.

Overall Conclusion

It is critical for the District, in accordance with both the PSC and best business practice, to maintain all documents to support its procurement processes and procedures. This includes all of the following:

- 1) A complete list of all service contracts entered into by the District.
- 2) All of its signed and executed contracts.
- 3) Documentation supporting the procurement process.
- 4) Documentary evidence of the review and approval of contracts by District management, its solicitor, and Board members.
- 5) Documentary evidence of monitoring performed on contract-related invoices.

Additionally, obtaining bids, proposals, or quotes for services will assist the District in ensuring it is purchasing services at a cost that is in the best financial interest of the District. Finally, up-to-date written District procedures will assist the District in ensuring that its procurement process is performed in compliance with all applicable contracting requirements and that supporting documentation is obtained and retained.

Recommendations for Finding 3

We recommend the Wyoming Valley West School District:

1. Develop and implement District procurement procedures that should include, but not be limited to, each of the areas discussed in the remaining recommendations. The District should consider seeking assistance from the Pennsylvania School Boards Association to assist in developing these procedures.
2. Ensure the District's Business Office retains a comprehensive list of all service contracts entered into by the District to include vendor name, service provided, contract time period, contract amount, and District staff member assigned to be the contract monitor.

⁷⁸ Although some of the invoices had notations on them such as an account code or indication of an electronic transfer of payment, none of the notations indicated a review of the services billed or approval to pay the invoice.

A Performance Audit

Wyoming Valley West School District

3. Retain contracts signed by both representatives from the District and the vendor for the required retention period which is for a minimum of **six years** as required by the Public School Code (PSC).
4. Ensure the District's solicitor reviews and approves all service contracts. Written support of the review and approval should be retained with the service contract.
5. Establish thresholds for soliciting bids/proposals from perspective vendors to provide services to the District in accordance with the guidelines of the Pennsylvania Department of Education and Department of Labor and Industry. If the District does not solicit bids/proposals, a detailed written justification should be maintained to support this decision.
6. Retain all documents applicable to soliciting proposals and bids from vendors, including documents received from vendors and the process of opening and reviewing these documents. This should include a list of all vendors submitting bids or proposals, the individuals that attended the meeting to review the documents submitted, and the results of reviewing documents, including the decision made regarding the vendor selected to award the contract.
7. Retain all Board minutes documenting the affirmative vote of a majority of all of the Board members' votes approving service contracts exceeding one hundred dollars (\$100) pursuant to the PSC, as well as documentation of any Board member abstaining from the vote.
8. Ensure that all Statements of Financial Interest (SFIs) for all Board members are obtained and retained in accordance with the Public Official and Employee Ethics Act and the required retention periods. Additionally, District management should review SFIs to ensure there are no conflicts of interest when awarding service contracts to vendors.
9. Require appropriate staff to monitor services provided by contracted vendors, including the review of vendor invoices prior to payment to ensure the District received the services and was billed at the rates agreed upon in the contract. A written record of the review, such as the reviewer's initials/signature and date on the vendor invoice, should be documented and retained.

A Performance Audit

Wyoming Valley West School District

Status of Prior Audit Findings

Prior Finding 1 – A Cumulative Operating Deficit Reduced the District’s General Fund Balance to \$71,916 as of June 30, 2018, Significantly Below the Recommended Level (Partially Resolved)

In our prior audit released on November 4, 2019, we found that the Wyoming Valley West School District’s (District) financial position decreased significantly over the four-year audit period of the 2013-14, 2014-15, 2015-16, and 2016-17 school years. The District’s June 30, 2018 General Fund balance of \$71,916 was considerably less than the fund balance recommended by the Government Finance Officers Association. The decrease in the fund balance put the District in a difficult position and led to the District expending its Capital Projects funds to meet debt service obligations and help fund District operations.

We recommended the District should:

1. Prepare a multi-year budget that will assist the Board of School Directors (Board) and District management in making decisions to increase taxes and/or reduce expenditures to allow the District to achieve operating surpluses.
2. Display the multi-year budget prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meetings.
3. Continue to perform a cost/benefit analysis to determine if it is more cost efficient to educate special education students at the District or outsourcing this to the Intermediate Unit that serves the District’s Intermediate Unit students.

Status as of this audit

The District’s General Fund balance continued to decrease and had negative balances of (\$971,838), (\$1,149,491), and (\$594,404) at each FYE June 30, 2019, through June 30, 2021, respectively. District management did not prepare a multi-year budget (to assist Board and District management) that could be displayed on its website for the public to review. Additionally, although the District continued to perform a cost/benefit analysis regarding ways to educate special education students, the District needs to continue to seek ways to reduce its expenditures due to the District’s negative General Fund balance. These issues, including our evaluation and recommendations, can be found in *Finding 1* of this report.

A Performance Audit

Wyoming Valley West School District

Prior Finding 2 – Transportation Reporting Errors by the District Resulted in a Net Overpayment to the District of \$5,134 During the 2013-14 Through 2016-17 School Years. (Partially Resolved)

In our prior audit released on November 4, 2019, we found that the Wyoming Valley West School District (District) was overpaid \$5,134 in transportation reimbursements from the Pennsylvania Department of Education (PDE) due to the District inaccurately reporting the number of non-reimbursable students transported during the 2013-14 through 2016-17 school years.

We recommended the District should:

1. Implement a procedure to have a District official other than the person who prepares the transportation reports to PDE review transportation data prior to submission to PDE and provide certification to the District official signing the sworn statement that the data is complete and accurate.
2. Conduct annual multi-year trend analyses of student transportation data and transportation subsidies to help identify unexpected fluctuations. Any unexplained fluctuations should be investigated to provide additional assurances that the data is accurately reported to PDE.
3. Ensure that all District officials responsible for reporting transportation data to PDE have been adequately trained on PDE's reporting guidelines for non-reimbursable students.
4. Develop written transportation reporting procedures for all student classifications, including non-reimbursable students.
5. Review the transportation data preliminarily submitted for the 2017-18 school year, and if similar errors are found, submit revised reports to PDE.

We recommended PDE should:

1. Adjust the District's future allocations to recover the net overpayment of \$5,134.

Status as of this audit

District management submitted revised reports to PDE for the 2017-18 school year. However, the District did not fully or adequately implement the remaining four prior audit recommendations regarding reviewing transportation data prior to submission to PDE; conducting multi-year trend analyses of student transportation data and transportation subsidies;

A Performance Audit

Wyoming Valley West School District

ensuring District officials are adequately trained; and developing written transportation reporting procedures. Our evaluation and recommendations can be found in *Finding 2* of our current audit report.

Regarding the recommendation made to PDE to adjust the District's future allocations to recover a net overpayment of \$5,134 calculated for the four-year audit period, the District was unable to locate any documents from PDE specific to the over/underpayment calculated for each of the years.⁷⁹ Our review of the PDE reports of subsidy payments to the District for the 2017-18 through 2020-21 school years, found only one adjustment for the 2014-15 school year. Our evaluation and recommendation can be found in *Finding 2* of our current audit report.

⁷⁹ The \$5,134 is the net amount of over/(under) payments of (\$12,392), (\$15,331), \$17,694, and \$15,163 applicable to the 2013-14 through 2016-17 school years, respectively.

A Performance Audit

Wyoming Valley West School District

Wyoming Valley West School District's Response and Auditor's Conclusion

We provided copies of our draft audit findings and status of prior findings and related recommendations to the Wyoming Valley West School District (District) for its review. On the pages that follow, we included the District's response in its entirety. Following the District's response is our auditor's conclusion.

A Performance Audit

Wyoming Valley West School District

Audit Response from Wyoming Valley West School District

Response to Recommendations for Finding 1 – Financial

- 1 - The District will prepare a multi-year forecast to assist in making sound financial decisions.
- 2 - The forecast will be placed on the District's website.
- 3 - The District will continue to perform in-house v. off-site special education cost benefit analysis.

Response to Recommendations for Finding 2 – Transportation

- 1A – The Transportation Secretary will collect and input student transportation forms and monthly ridership. The Transportation Director will input all of the data to PDE and the Business Manager has now been assigned to review this transportation data prepared and organized by the Transportation Secretary and the Transportation Director.
- 1B – The District will conduct quarterly analyses of student transportation data and subsidies to identify potential, unexpected fluctuations. Unexplained fluctuations will be investigated immediately.
- 1C – The District will contact PSBA and the local Intermediate Unit, 18, on reporting requirement trainings.
- 1D – The District is currently contracting with PSBA to assist us with updating all our current policies and procedures.
- 1 – The Transportation Secretary now prints out [a] transportation roster monthly. In additions [sic], she requests and collects transportation request forms.
- 2 – Supporting documentation for regular and supplemental data is obtained, reviewed, and retained by the Transportation Secretary, the Director of Transportation, and the Business Manager. This will be conducted and implemented on a monthly basis.
- 3 – The District will pull non-public and charter school bus forms to review roster accuracy on a monthly basis.
- 4 – The Transportation Director and Business Manager will review the 2020 – 2021 school year data and submit revised reimbursement reports to PDE where applicable.

A Performance Audit

Wyoming Valley West School District

5 – The Business Manager reports the 2015 – 2016 overpayment was deducted from the June 2023 transportation subsidy payment. The Business Manager is currently researching the 2013-2014 and 2016 – 2017 status.

Response to Recommendations for Finding 3 – Contracts

1 – The District is currently contracting with PSBA to assist and do a total overhaul/revision of our current Policy Manual.

2 – The District Business Office is currently implementing this recommendation.

3 – The WVW Board Secretary is currently implementing this recommendation.

4 – The District will ensure written support and approval of all service contracts (Verbal approval is currently given).

5 – The District follows PDE and Department of Labor and Industry thresholds.

6 – The District will continue to use a sign-in sheet for vendors with *[sic]* when opening and reviewing documents. The decision of the selected vendor is in the monthly Board minutes.

7 – The District will retain all Board minutes documenting affirmative or abstaining votes of service contracts.

8 – The Board Secretary obtains and retains these documents and the Superintendent will assist with obtaining them when necessary.

9 – The District does implement this procedure. Area administrators will sign all invoices.

A Performance Audit

Wyoming Valley West School District

Auditor's Conclusion to Wyoming Valley West School District's Response

The Wyoming Valley West School District (District) is generally in agreement with our recommendations for *Findings 1, 2, and 3*. The status of Prior Findings 1 and 2 are addressed in current audit *Findings 1 and 2*, respectively, and were not addressed separately by the District in its response. Below we address the District's response to the audit report and findings along with certain areas we believe warrant further comment based on the District not addressing portions of certain finding recommendations.

Finding 1

We are encouraged that the District indicated that it will incorporate our recommendations to improve its financial conditions. The District stated it will prepare a multi-year forecast to assist in making sound financial decisions and place the forecast on its website. In its response to the prior audit report released on November 4, 2019, the District also indicated that it would prepare at a minimum a 3-year budget that would appear on its website to offer the taxpayers, the public, and District officials the opportunity to monitor and discuss budget issues at open meetings. Unfortunately, that did not occur. Given the District's negative General Fund balance during the three fiscal years of the audit period, we emphasize the need for the District to implement these recommendations. Finally, we are pleased the District intends to continue to analyze whether it would be more cost effective to educate special education students at the District or outsourcing this to the Intermediate Unit that serves the District's Intermediate Unit students.

Finding 2

We are pleased the District stated that it either has or intends to implement internal controls over its transportation operations including implementing segregation of duties, conducting quarterly analyses and investigating fluctuations, training staff, and updating policies and procedures. Additionally, the District plans to implement procedures to obtain and review supporting documentation on a monthly basis.

Although the District stated that it will pull non-public and charter school bus forms to review roster accuracy on a monthly basis, we emphasize that the recommendation made also involves performing periodic reconciliations of transportation data such as mileage, vehicles, students being transported (not only non-public and charter but also public school students) and hazardous routes. These additional steps to compare the information to supporting documents will help to ensure that all data is accurately captured and recorded throughout the year.

We are pleased District management intends to review the 2020-21 school year transportation data and submit revised reimbursement reports to the Pennsylvania Department of Education (PDE) where applicable. However, as noted in the recommendation, the District should also

A Performance Audit

Wyoming Valley West School District

review transportation data reported to PDE for the 2018-19 and 2019-20 school years to determine if any revisions are necessary to the data reported to PDE for those years.

The District also stated that the overpayment for the 2015-16 school year was deducted from the June 2023 transportation subsidy payment. This occurred subsequent to our audit procedures and therefore, we cannot confirm this information. Additionally, District management stated it is currently researching the status of the incorrect payments for the 2013-14 and 2016-17 school years.

Finding 3

We are encouraged that, as recommended, the District is currently contracting with the Pennsylvania School Boards Association (PSBA) to assist in revising its contracting policy manual. Additionally, the District stated that Business Office staff is implementing our recommendation to retain a comprehensive list of all service contracts. We are also pleased that the District will ensure both written support and approval of all services are obtained from its solicitor. Although the District stated that the School Board Secretary is implementing our recommendation to retain all signed contracts for a minimum of six years, we believe that management should also ensure that District staff retain copies of signed contracts.

Although the District stated it follows PDE and Department of Labor and Industry thresholds regarding soliciting bids/proposals from vendors, we believe this refers to the procurement of goods and supplies; however, our recommendation pertains to vendors providing services to the District. While not legally required, it is in the best financial interest of the District to perform procedures to determine best pricing that can be obtained for not only goods and supplies, but also for services.

Although the District indicated that it will continue to use a sign-in sheet for vendors when opening and reviewing documents, our review of documents retained by the District did not find that this was the case. As noted in the recommendation, information that should also be retained includes a list of all vendors submitting bids or proposals, and the results of reviewing bid/proposal documents, including the decision made regarding the vendor selected to award the contract. This information would support the selected vendor as identified in the monthly Board minutes and is in the best financial interest of the District.

We are pleased that the District intends to retain all Board minutes documenting affirmative votes and any Board member abstaining from the vote of service contracts as well as all necessary Statements of Financial Interest (SFI). In addition to retaining SFIs, the District management should also review SFIs to ensure there are no conflicts of interest when awarding service contracts to vendors.

Finally, although District management stated its staff monitors services provided by contracted vendors, as a result of the District not maintaining documents during the audit period, we were

A Performance Audit

Wyoming Valley West School District

unable to confirm whether the monitoring was actually performed. We are pleased the District intends to have area administrators sign all invoices to document the approval of payments.

A Performance Audit

Wyoming Valley West School District

Appendix A

Objectives, Scope, Methodology, and Data Reliability

The Department of the Auditor General (DAG) conducted this performance audit of the Wyoming Valley West School District (District) pursuant to:

- Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403.⁸⁰
- Section 1715-F.1(2) of the Fiscal Code, Article XVII-F.1 (relating to 2022-2023 Budget Implementation), 72 P.S. § 1715-F.1(2).⁸¹

Objectives

Our performance audit objectives were as follows:

1. Determine the District's financial position and whether it complied with all statutes prohibiting deficit fund balances and spending more than its budget. [See *Finding 1*]
2. Determine District compliance with applicable laws, regulations, and reporting requirements governing transportation operations, and that it received the correct transportation reimbursement from the Commonwealth. [See *Finding 2*]
3. Determine whether the District's service contracts were Board approved, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered. [See *Finding 3*]

We conducted this audit in accordance with generally accepted *Government Auditing Standards*, issued by the Comptroller General of the United States, except for our inability to obtain all

⁸⁰ See 72 P.S. §§ 402 and 403 and Pa. Const. art. VIII, Sec. 10. The authority to conduct performance audits derives from the 2004 Pennsylvania Commonwealth Court decision in *Dep't of the Aud. Gen. v. State Emp. Ret. Sys.*, citing the prior case in the matter, which plainly concluded that the Auditor General (and his Department) under Article VIII, Section 10 of the constitution and Section 402 and Section 403 of the Fiscal Code **has the authority to conduct performance audits** of, among others, a public agency (such as a school district) receiving state funds at his discretion. See 860 A.2d 206, 214 (Pa. Cmwlth. 2004) amending the prior decision in *Dep't of the Aud. Gen. v. State Emp. Ret. Sys.*, 836 A.2d 1053, 1069-1070 (Pa. Cmwlth. 2003). (Emphases added.)

⁸¹ Pursuant to Section 1715-F.1(2) of the Fiscal Code, **to the extent possible**, the audit shall include a review of the books, contracts, and transactions of the school district, including those related to Federal and State funding of the school district for the previous five school years. Our prior audit of the District released in November 2019, covered the period July 1, 2014, through June 30, 2018. Therefore, the current audit period begins with July 1, 2018 and extends through June 30, 2021, which was the most recently completed fiscal year at the time of the audit. These combined audit periods satisfy the five school year portion of the mandate.

A Performance Audit

Wyoming Valley West School District

necessary documentation as disclosed in the **Scope section** below.⁸² Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained for Objective 1 provides a reasonable basis for our finding and conclusions. Regarding Objectives 2 and 3, due to staffing changes in key positions responsible for the oversight of our transportation and contracting audit objectives, District records were incomplete or could not be located. Additionally, District management was unable to provide responses to some of our inquiries. Consequently, the District was unable to provide us with the sufficient and appropriate evidence necessary to conclude on Objectives 2 and 3. The documentation limitations and related internal control deficiencies are described below and within *Findings 2 and 3*.

Scope

This performance audit covered the period July 1, 2018, through June 30, 2021, unless otherwise noted, with updates through the report date.

District management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws and regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including information systems controls.

Standards for Internal Control in the Federal Government (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system.⁸³ We used the framework included in the Green Book when assessing the District's internal control systems.

The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. The five components contain 17 related principles, listed in the table below, which are the requirements an entity should follow in establishing an effective system of internal control.

⁸² U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021.

⁸³ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Pennsylvania Governor's Office **adopted these federal standards** for all Commonwealth agencies within Management Directive 325.12 (Standards for Internal Controls in Commonwealth Agencies) issued October 1, 2021.

A Performance Audit

Wyoming Valley West School District

We determined all of the internal control components are significant to the audit objectives. The table below represents a summary of the level of the internal control assessment for effectiveness of design (D); implementation (I); or operating effectiveness (OE) that we performed for each principle or an indication that reliance was placed on the internal control work performed by the District’s external auditors and no further assessment was done (R) along with a conclusion regarding whether issues were found with the principles and if those issues are included in a finding.⁸⁴

Component	Principle	Level of Assessment	Objective	Conclusion
Control Environment	1 The oversight body and management should demonstrate a commitment to integrity and ethical values.	R	1, 2, 3	No issues noted
	2 The oversight body should oversee the entity’s internal control system.	R	1	No issues noted
		D, I	2	Finding 2
		D, I	3	Finding 3
3 Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.	R	1, 2, 3	No issues noted	
4 Management should demonstrate a commitment to	R	1, 2, 3	No issues noted	

⁸⁴ The Green Book, Sections OV3.05 and 3.06, states the following regarding the level of assessment of internal controls. Evaluating the design of internal control includes determining if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. Evaluating implementation includes determining if the control exists and if the entity has placed the control into operation. Evaluating operating effectiveness includes determining if controls were applied at relevant times during the audit period, the consistency with which they were applied, and by whom or by what means they were applied.

A Performance Audit

Wyoming Valley West School District

Component	Principle	Level of Assessment	Objective	Conclusion
	recruit, develop, and retain competent individuals.			
	5 Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	R	1, 2, 3	No issues noted
Risk Assessment	6 Management should define objectives clearly to enable the identification of risks and define risk tolerances.	R	1	No issues noted
		D, I	2	Finding 2
		D, I	3	Finding 3
	7 Management should identify, analyze, and respond to risks related to achieving the defined objectives.	R	1	No issues noted
		D, I	2	Finding 2
		D, I	3	Finding 3
	8 Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	R	1	No issues noted
		D, I	2	Finding 2
		D, I	3	No issues noted
	9 Management should identify, analyze, and respond to	R	1	No issues noted
		D, I	2	Finding 2

A Performance Audit

Wyoming Valley West School District

Component	Principle	Level of Assessment	Objective	Conclusion
	significant changes that could impact the internal control system.	D, I	3	Finding 3
Control Activities	10 Management should design control activities to achieve objectives and respond to risks.	R	1	Finding 1
		D, I, OE	2	Finding 2
		D, I, OE	3	Finding 3
	11 Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	R	1, 2, 3	No issues noted
	12 Management should implement control activities through policies.	R	1	No issues noted
		D, I, OE	2	Finding 2
		D, I, OE	3	Finding 3
Information and Communication	13 Management should use quality information to achieve the entity's objectives.	R	1	No issues noted
		D, I, OE	2	Finding 2
		D, I, OE	3	Finding 3
	14 Management should internally communicate the necessary quality	R	1	Finding 1
		D	2	Finding 2
		D	3	Finding 3

A Performance Audit

Wyoming Valley West School District

Component	Principle	Level of Assessment	Objective	Conclusion
	information to achieve the entity's objectives.			
	15 Management should externally communicate the necessary quality information to achieve the entity's objectives	R	1	Finding 1
		D, I	2	Finding 2
		D, I	3	Finding 3
Monitoring	16 Management should establish and operate monitoring activities to monitor the internal control system and evaluate results.	R	1	No issues noted
		D, I, OE	2	Finding 2
		D, I, OE	3	Finding 3
	17 Management should remediate identified internal control deficiencies on a timely basis.	R	1	No issues noted
		D, I, OE	2	Finding 2
		D, I, OE	3	Finding 3

Government Auditing Standards require that we consider information systems controls "...to obtain sufficient, appropriate evidence to support the audit findings and conclusions."⁸⁵ This process further involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-20-283G, *Assessing Data Reliability*, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data are integral to the audit objective(s).⁸⁶ See our assessment in the *Data Reliability* section that follows.

⁸⁵ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.59 through 8.67.

⁸⁶ U.S. Government Accountability Office. *Assessing Data Reliability*. December 2019.

A Performance Audit

Wyoming Valley West School District

Our procedures to assess the design, implementation, and/or operating effectiveness accordingly are discussed in the *Methodology* section that follows. Deficiencies in internal controls we identified during the conduct of our audit and determined to be significant within the context of our audit objectives are summarized in the conclusion section below and described in detail within the respective audit findings in this report. See table above for descriptions of each of the principle numbers included in the conclusions below.

Conclusion for Objective 1:

Our assessment of District management's internal controls and reliance placed on the internal control work performed by the District's external auditors did not find issues associated with Principles 1 through 9, 11 through 13, 16, and 17. We found, however, issues regarding Principles 10, 14, and 15. These issues include lack of internal control pertaining to financial operations and maintaining a positive General Fund balance as well as the internal and external communication of information concerning the District's financial position. These issues are described in detail in *Finding 1* of this report.

Conclusion for Objective 2:

Our assessment of District management's internal controls and reliance placed on the internal control work performed by the District's external auditors did not find issues associated with Principles 1, 3 through 5, and 11. We found, however, issues regarding Principles 2, 6 through 10, and 12 through 17. These issues include lack of internal control, written policies and procedures, internal and external communication of student transportation information, and staff training pertaining to transportation operations and maintaining supporting documentation for students provided transportation and the vehicles used to provide the transportation. Additionally, due to turnover, after the audit period, with the Transportation Director and Finance Manager, District management was often unable to locate and provide the District's transportation records that support the transportation information submitted to PDE for the 2020-2021 school year. We, therefore, were unable to confirm the accuracy of the transportation data submitted to PDE for its regular and supplemental transportation reimbursements for the 2020-2021 school year or if the District was in compliance with applicable laws, regulations, and reporting requirements governing transportation operations. These issues are described in detail in *Finding 2* of this report.

Conclusion for Objective 3:

Our assessment of District management's internal controls and reliance placed on the internal control work performed by the District's external auditors did not find issues associated with Principles 1, 3 through 5, 8, and 11. We found, however, issues regarding Principles 2, 6, 7, 9, 10, and 12 through 17. These issues include lack of internal control, written procedures, maintaining supporting documentation, and monitoring of its service contract procurement process. Additionally, due to turnover, after the audit period, with the District Finance Manager,

A Performance Audit

Wyoming Valley West School District

District management was often unable to locate and provide service contract related documentation supporting requests made by the District to potential vendors for bids or proposals regarding providing services to the District, as well as service contracts in place during the fiscal year ended June 30, 2021. As a result of the above issues, we were unable to confirm the accuracy of the service contract lists provided for the 2020-2021 school year and could not determine if all of the District's service contracts selected for review were Board approved as required, in the best financial interest of the District, and monitored to ensure contracted services were properly delivered. These issues are described in detail in *Finding 3* of this report.

Methodology

The following procedures were performed to address our audit objectives as well as our prior audit follow-up. Items selected for review within this audit were based on either auditor's professional judgment or by random selection and not through a statistical selection. The results of our review should not be projected to the corresponding populations.

Overall Procedures:

- Reviewed the District's annual audited financial reports for the fiscal years ended June 30, 2019, 2020, and 2021, to determine what, if any, reportable weaknesses were found regarding internal controls to ensure we could rely on the external auditors' financial audit reports.
- Verified the District's external financial auditors who conducted the audits were independent of the District and qualified to perform the audits.
- We reviewed the external financial auditors' financial audit reports, peer reviews, and internal control assessments to rely on the financial accounts of the District for this performance audit. [All Principles]

Objective 1:

- Reviewed the District's external auditors' working paper regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]

A Performance Audit

Wyoming Valley West School District

- Interviewed and corresponded with District management and staff in order to: [Principles 2, 6 through 10, and 12 through 17]
 - Gain an understanding of the District’s financial position.
 - Gain an understanding of the District’s financial operations which include policies and procedures in place to prevent and monitor business operations for fraud, abuse, or other prohibited activity.
 - Gain an understanding of internal controls for developing budgets.
 - Gain an understanding of internal controls regarding how audited financial statements are presented to the Board.

- Reviewed the following laws, regulations, guidance, and written policies and procedures applicable to the District’s financial position and operations:
 - *Government Finance Officers Association “Fund Balance Guidelines for General Fund” approved September 30, 2015.*

 - *Pennsylvania Statutes Title 24 P.S. Education:*
 - § 2-218 Reports to Department of Education
 - § 2-290 *et seq.* (Act 299 of 1963) Reorganization Act of 1963
 - § 6-609 Budgeted Funds not to be Used for Other Purposes or Exceeded
 - § 6-611-A Early Warning System
 - § 6-601-A *et seq.* School district financial recovery
 - § 6-631-A Power to incur debt; limitations (relating to “Appointment [of a chief recovery officer]”)
 - § 6-641-A Contents (relating to “Contents [of Plan]”)
 - § 6-687(b) Annual budget; additional or increased appropriation; transfer of funds.

 - 22 Pa. Code § 731 Early Warning System – Statement of Policy.

 - Taxpayer Relief Act – section relating to the adoption of annual budgets. 53 P.S. § 6926.312(a) (Act 1 of 2006, Special Session No. 1).

 - Pennsylvania Department of Education (PDE):
 - *Manual of Accounting and Financial Reporting for Pennsylvania Local Educational Agencies (LEAs)* (issued by the PA Office of the Budget, Office of Comptroller Operations Central Agencies and School Finance Unit) revised September 2021 regarding fund balances.
 - *School District Financial Recovery Early Warning System* dated September 2012.

A Performance Audit

Wyoming Valley West School District

- *Chart of Accounts for PA Local Educational Agencies* (issued by the PA Office of the Budget, Office of Comptroller Operations Central Agencies and School Finance Unit) regarding fund balances.
- Pennsylvania School Boards Association “School District Snapshot – Understanding Funding, Spending, and Saving regarding industry guidelines regarding a school district’s operating position.
- Reviewed the District’s audited financial statements for the fiscal years ended (FYE) June 30, 2019, 2020 and 2021 which present the District’s financial position. This included reviewing the District’s financial position (General Fund balance) for each of the three years to determine if the District complied with all statutes prohibiting deficit fund balances. [Principles 13, 14, 15]
- Reviewed the District’s annual financial reports (AFR) for the FYE June 30, 2019, 2020 and 2021 which reports on the District’s financial operations such as revenues, expenditures, and fund balance. [Principles 13, 14, 15]
- Reviewed the District’s General Fund budgets for the FYE June 30, 2019, 2020 and 2021, and compared the District’s budgeted amounts to actual amounts to determine the reasonableness of amounts budgeted by the District. [Principles 13, 14, 15]
- Obtained from District management the charter school student enrollment data and tuition costs for the 2018-19, 2019-20, and 2020-21 school years and reviewed to determine the percentage of charter school tuition costs to the District’s total expenditures.
- Obtained from the PDE website, public school enrollment data for the 2018-19, 2019-20, and 2020-21 school years to compare to the charter school enrollment data for the same time period.
- Used information reported in the District’s audited financial statements and General Fund Budgets for the FYE June 30, 2019, 2020, and 2021, to determine the District’s General Fund balance, operating position, debt service, budget versus actual amounts for real estate taxes, and assessed various financial ratios.⁸⁷ These financial indicators were deemed appropriate for assessing the District’s financial stability. [Principle 10]

⁸⁷ Financial ratios computed included, but were not limited to, current ratio and working capital ratio. Current ratio is calculated by dividing current assets by current liabilities. A current ratio equal to or exceeding two to one is generally considered satisfactory. Current ratios below two to one are generally considered weak, and ratios below one to one are considered troubling because liabilities exceed assets. The working capital ratio is computed by subtracting current liabilities from current assets.

A Performance Audit

Wyoming Valley West School District

- Reviewed the Pennsylvania Department of Education Office of Comptroller Operations Financial Accounting Information Audit Confirmation of Subsidy Payments 2020-2021 Year-to-Date for payments made to the District for COVID-19 pandemic relief funds.

Objective 2:

- Reviewed the District's external auditors' audit documentation regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]
- Interviewed and corresponded with District management and staff in order to: [Principles 2, 6 through 10, and 12 through 17]
 - Gain an understanding of the internal controls in place for transportation operations.
 - Gain an understanding of District transportation policies and procedures in place during the audit period.
 - Gain an understanding of the transportation process related responsibilities assigned to District staff.
 - Determine the supporting documentation maintained that are significant to the audit objective.
 - Determine the cause for inadequate and/or the lack of transportation supporting documentation and discrepancies between supporting documentation and data reported to PDE regarding regular and supplemental transportation subsidy.
- Reviewed the following laws, regulations, guidance, and written policies and procedures applicable to identify potential criteria needed to evaluate the audit objective.
 - *Pennsylvania Statutes Title 24 P.S. Education*
 - § 9-922.1-A(b) Definitions relating to nonpublic schools
 - § 17-1726-A Charter School Transportation
 - § 25-2509.3 Payments on account of transportation of nonpublic school Pupils
 - § 25-2541 Payment on account of pupil transportation
 - § 25-2543 Sworn statement of amount expended for reimbursable transportation; payment withholding
 - § 15-1501.8(m.1) – Pandemic of 2020 regarding modified calculation of the Pupil Transportation Subsidy for the 2020-21 school year
 - § 5-518 Retention of Records
 - Charter School Law Section 17-1726-A(a) regarding payment provided for transportation of charter school students

A Performance Audit

Wyoming Valley West School District

- 22 Pa. Code Chapter 23. *Pupil Transportation*
 - PDE Form Completion Instructions:
 - *Certification of Transportation Operations*
 - *Form 1049 Transportation Service Forms*
 - *Form 2089 Summary of Pupils Transported*
 - *Worksheet for Computing Sample Averages*
 - PDE “*Weighted Average Examples*”
 - District School Board Policy Manual Section 810 – Transportation adopted May 13, 1998 and revised May 15, 2019. [Principle 12]
 - Pennsylvania School Boards Association's website regarding assistance offered to school districts pertaining to developing and maintaining school policy.
-
- Obtained from District management the *PDE-2576 Summary of Pupil Transportation Subsidy* (PDE-2576) reports for the 2016-17 through 2020-21 school years, to determine the transportation data submitted to PDE, complete the Transportation Analytical, and follow-up with District management regarding variances. [Principle 13]
 - Obtained from each of the two District’s transportation contractors a list of vehicles each contractor used to transport students for the District during the 2020-21 school year in order to confirm the vehicle information reported by the District to PDE. [Principle 13]
 - Obtained from District management the *PDE-2518 Summary of Individual Vehicle Data* (PDE-2518) report for the 2020-21 school year that listed the information for the 58 vehicles submitted to PDE. [Principle 13]
 - Obtained from one of the District’s transportation vendors its insurance policy listing information on the vehicles used to transport District students during the 2020-21 school year. [Principle 13]
 - Compared the vehicles listed on the PDE-2518 to the vehicle listings and for one of the vendors the insurance policy provided by the transportation contractors for completeness and accuracy. [Principle 13]
 - Selected 16 of the 58 vehicles listed on the PDE-2518 for review based on the following.
 - Judgmentally selected five vehicles (vans) from the District’s van transportation contract. Two vehicles were selected as a result of the vehicle information not matching the information provided by the transportation contractor and the remaining three vehicles were judgmentally selected based on review of high and low number of days used and mileage reported to PDE.
 - Judgmentally selected 11 vehicles (vans and buses) from the District’s transportation contract for review. The selection of more vehicles from this contract was based on data reliability concerns as described in the *Data Reliability*

A Performance Audit

Wyoming Valley West School District

section. Two of the eleven vehicles were selected as a result of the vehicle information not matching the information provided by the transportation contractor (vehicle list and insurance policy). Three vehicles that matched only the contract's vehicle list were selected and the remaining six vehicles selected matched only vehicles listed on the contractor's insurance policy. These nine vehicles were also selected based on consideration of high and low number of days used and mileage reported to PDE.

- For each of the 16 vehicles selected for review, we performed the following procedures: [Principle 10]
 - Requested and reviewed monthly odometer readings that reported miles with and miles without students to determine if it supported the information reported to PDE. The District only provided one month of odometer readings for 11 of the 16 vehicles and did not provide any odometer readings for the remaining 5 vehicles.
 - Requested bus rosters to determine if they supported the number of students transported that the District reported to PDE. The District was unable to provide comprehensive bus rosters that listed the number of students assigned to each vehicle during the school year.
 - Requested documentation to support the number of days students were transported; however, the District was unable to provide supporting documentation.
- Obtained from District management lists generated from the District's transportation software of the 256 non-public students and 23 charter school students transported by the District during the 2020/2021 school year. [Principle 13]
 - Using a random number generator, we selected 60 of the 256 non-public students for review.
 - Based on auditor judgment, we selected all 23 charter students for review.
- For each of the 60 non-public students and 23 charter school students selected for review, we performed the following: [Principle 10]
 - Requested "Request for Transportation" forms that are completed by the parent/guardian of each student and submitted to the District. These forms were reviewed to confirm the District provided transportation to the students reported to PDE as part of its request for supplemental transportation reimbursement. The District was unable to provide forms for 8 of the 60 non-public students and 6 of the 23 charter school students.
 - Requested student rosters from the non-public and charter schools in the District to confirm the names of students the District used to calculate the number of non-public and charter school students reported to PDE.

A Performance Audit

Wyoming Valley West School District

- Obtained from District management a list of the 661 hazardous route students reported to PDE for the 2020-21 school year and using a random number generator selected 60 students to review. [Principle 13]
- For each of the 60 hazardous route students selected for review, we performed the following: [Principle 10]
 - Obtained from District management, the student’s home address.
 - Compared each student’s home address to their respective school address and utilizing Mapquest determined the one-way mileage.
 - For those students who were determined to live more than one and one-half miles (elementary students) or two miles (secondary students) from their respective schools, we followed-up with District management to inquire why they were reported to PDE as hazardous route students.

Objective 3:

- Reviewed the District’s CPA external auditors’ audit documentation regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]
- Interviewed and corresponded with District management and staff in order to: [Principles 2, 6 through 10, and 12 through 17]
 - Gain an understanding of District procurement policies and written procedures in place during the audit period.
 - Gain an understanding of the procurement process for service contracts in place during the audit period.
 - Determine the cause for inadequate and/or the lack of transportation supporting documentation relating to the District’s service contracts.
- Reviewed the following laws, regulations, guidance, and written policies and procedures applicable to identify potential criteria needed to evaluate the audit objective.
 - Public Official and Employee Ethics Act, 65 Pa.C.S:
 - § 1102 relating to Definitions pertaining to “Conflict or Conflict of Interest”
 - § 1103(j) relating to “Voting Conflict”
 - § 1104 relating to “Statement of financial interests required to be filed”

A Performance Audit

Wyoming Valley West School District

- *Public School Code of 1949, 24 P.S.:*
 - § 5-508. *Majority Vote Required; Recording* related to the affirmative vote of a majority of all the members of the board of school directors, duly recorded, showing how each member voted, that is required in order to take action on entering into contracts.
 - § 5-518 *relating to Retention of records*
 - § 7-751. *Work to be Done Under Contract Let on Bids; exception*
 - § 8-807.1 relating to Purchase of supplies
 - PDE “Uniform Guidance Implementation Guide: Procurement” dated April 2018.
 - Pennsylvania Labor and Industry “Notices – Consumer Price Index Adjustment of Base Amounts on Bids Effective January 1, 2020; Correction.” Dated December 14, 2019.
 - Pennsylvania School Boards Association website regarding assistance offered to school districts pertaining to developing and maintaining school policy.
- Obtained from District management lists maintained by two District departments and Superintendent office staff of service contracts entered into by the District with vendors to provide services to the District during the FYE June 30, 2021. A review of the lists determined that they did not contain all of the service contracts that District management had indicated in prior interviews; however, they were determined to be the best source available as noted in the *Data Reliability* section. The combined lists contained 17 service contracts that exceeded the minimum threshold of \$11,300 requiring either a written/telephonic quote or formal bidding for procuring goods/supplies that was used in the absence of state requirements for school districts to obtain quotes or bids for service type contracts. Based on concerns received regarding contracted services provided to the District, we judgmentally selected 5 of the 17 service contracts to review. [Principle 13]
 - Obtained from District management a vendor payment list for FYE June 30, 2021, and reviewed to determine total payments made to vendors that may have provided services to the District through a service contract but were not included on the service contract lists provided by the District. Based on auditor’s judgment, we selected two of the vendors to include in our review. [Principle 13]
 - For each of the seven service contracts selected for review, we performed the following: [Principles 10, 16, 17]
 - Requested a copy of the contract to review and determine the following:
 - The name of the vendor, service description type, and contract time period matched the information on the service contract list provided by the District or the name of the vendor matched the name on the vendor payment list.
 - Contract was approved by the District’s solicitor.

A Performance Audit

Wyoming Valley West School District

- Contract was signed by representatives from both the District and the vendor.
- Contract terms matched the terms of the original proposal or bid specifications submitted by the vendor to the District.
- Requested a copy of all documents pertaining to the proposals or bids associated with the service contracts and reviewed to determine the following:
 - Whether the District publicly posted Requests for Proposals or bid requests from vendors for the services.
 - How many bids or proposals the District received from vendors.
 - Documents were maintained to support those that were in attendance at proposal or bid opening and that those in attendance agreed to results and awarding of contract to selected vendor.
 - Contract was awarded to the vendor with the lowest bid or proposal, and if not, reasonable explanation was documented to provide justification for decision.
- Requested school board meeting minutes for the meeting in which each service contract was voted on for school board approval to review and determine if the contract was board approved by a majority vote and if any members abstained from voting.
- Requested the “Statement of Financial Interests” that should have been filed by the individuals that were school board members, District Superintendent, and District Finance Manager during the calendar years 2018 through 2021. Reviewed the statements to determine whether any school board members noted an association/conflict of interest with vendors awarded the service contracts selected for review.
- Requested documents to support the District is monitoring vendors to ensure contracted services are being provided to the District as outlined in the terms of the respective contracts. This included judgmentally selecting four payments made to each of the vendors, one from each quarter of the FYE June 30, 2021, and performed the following:
 - Determine whether the dollar amount or rate charged on the invoice matched the agreed upon amount in the service contract.
 - Determine whether the type of service indicated on the invoice agreed with the agreed upon services in the contract.
 - Determine whether each invoice was approved by an appropriate District staff indicating review and approval of the invoice.

A Performance Audit

Wyoming Valley West School District

To address the Status of Prior Audit Findings, we performed the following procedures:

- Interviewed and corresponded with District management regarding the District’s General Fund balance; preparing and displaying multi-year budgets; performing a cost/benefit analysis regarding special education costs; review of transportation information submitted to PDE; conducting annual multi-year trend analysis of transportation data and subsidies; training of staff responsible for reporting transportation information to PDE; District written procedures pertaining to the transportation operations; and adjustments made by PDE to District transportation subsidy.
- Reviewed PDE “Audit Confirmation of Subsidy Payments” for FYE June 30, 2019, 2020, 2021, and 2022 to determine transportation subsidy payments and adjustments made by PDE to the District.

Data Reliability

Government Auditing Standards requires us to assess the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, and recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.⁸⁸

In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information and data files we obtained a management representation letter from the District. This letter, signed by District management, included a confirmation statement indicating the information and data provided to us had not been altered and was a complete and accurate duplication of the data from its original source.

Amounts such as the District’s actual and budgeted revenues, expenditures, debt, and General Fund balance for the fiscal years ended June 30, 2019, 2020, and 2021, were obtained from the District’s audited financial statements. We performed the following procedures related to the work of the District’s external financial auditors and determined the scope, quality, and timing of the audit work performed by the external financial auditors to place reliance on the District’s financial statements:

- Confirmed the external financial auditors were independent and qualified to conduct the District’s financial audit.

⁸⁸ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.98.

A Performance Audit

Wyoming Valley West School District

- Verified the audits were conducted in accordance with generally accepted *Government Auditing Standards*.
- Obtained a copy of the external financial audit firm's most recent peer review results and found the firm received a rating of pass during their last peer review.
- Reviewed the external financial auditors' assessment of internal controls for the FYE June 30, 2021.
- Noted that the District's audited financial statements received unmodified opinions.

In addition to reviewing the audited financial statements, we also obtained the District's related Annual Financial Reports (AFR) for the corresponding fiscal years and performed comparisons to the audited financial statements to determine if there were any substantial fluctuations between the reports. Follow-up was performed with District management, where necessary, to obtain explanations regarding variances noted. We also obtained the District's General Fund budgets and agreed the amounts to the audited financial statements without issue.

Based on the above procedures, we found no limitations with using the data in the audited financial statements, AFR, and General Fund budgets for our intended purposes. In accordance with *Government Auditing Standards*, we concluded the District's financial data for the FYE June 30, 2019, 2020, and 2021, to be sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

We did not perform procedures to validate the completeness and accuracy of the below bulleted information. However, this was the best data available. As a result, we have deemed the information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations. The information includes the following:

- PDE Office of Comptroller Operations Financial Accounting Information Audit Confirmation of Subsidy Payments reports for the 2018-19, 2019-20, 2020-21, and 2021-22 school years that list transportation reimbursements and payments made to the District for COVID-19 pandemic relief funds. We did perform tests for reasonableness by comparing transportation reimbursement amounts for each of the school years to numbers reported in the District's respective AFR and PDE-2576.
- Charter school student enrollment numbers for the 2018-19, 2019-20, and 2020-21 school years provided by District management.
- Public school student enrollment data for the 2018-19, 2019-20, and 2020-21 school years obtained from the PDE website.
- Vendor payment list for FYE June 30, 2021, provided by District management. We performed tests for accuracy by comparing the payment information (vendor name and

A Performance Audit

Wyoming Valley West School District

payment amount) for 24 transactions to vendor invoices and supporting documentation maintained by the District.

We performed procedures of the below bulleted information and found the information to be not sufficiently reliable:

- The number of vehicles used to transport students during the 2020-21 school year as reported to PDE on the PDE-2518. We performed comparisons of vehicles reported by the District to vehicle listings obtained from the District's two contracted transportation vendors and found the following: [See *Finding 2*]
 - The District reported utilizing 33 vehicles from the first vendor. However, the vehicle list provided by the vendor reported only 24 vehicles or 9 less vehicles than the District reported to PDE. A comparison of VIN numbers between the two reports found agreement with only 11 of the 24 vehicles. The vendor also provided a copy of its insurance policy that included the vehicles used to transport District students, however, the VIN numbers listed on the policy only agreed for 30 of the 33 vehicles.
 - The District reported utilizing 25 vehicles from the second vendor. The vehicle list obtained from the second vendor also reported a total of 25 vehicles. However, only 23 of the 25 VIN numbers agreed between the two reports.
- The number of non-public and charter school students transported by the District during the 2020-21 school year as reported to PDE on the PDE-2576. We performed comparisons of the number of students reported to PDE by the District to bus rosters provided by District management and found the following: [See *Finding 2*]
 - The District reported 242 non-public students to PDE, however the student listing provided by District management to support the number of non-public students transported listed 256 students. Using the random number generator, we selected 60 of the 256 students and requested the District provide us their "Request for Transportation" form or confirmation from the non-public schools that each of the students were transported to the school by the District. The District was unable to provide supporting documentation for 8 of the 60 students.
 - The District reported 19 charter school students to PDE, however, the student listing provided by District management to support the number of charter school students transported listed 23 students. We requested the District provide the "Request for Transportation" form or confirmation from the charter schools that all 23 of the students were transported to the respective school by the District. The District was unable to provide supporting documentation for 6 of the 23 students.

A Performance Audit

Wyoming Valley West School District

- The number of students transported by the District during the 2020-21 school year that live on hazardous routes as reported to PDE on the PDE-2576. We performed a comparison of the number of students reported to PDE by the District to supporting documentation and found the total number of 661 students agreed in both documents. However, when we performed audit procedures on the 60 students selected to review, we found nine students that did not meet the criteria of residing on a hazardous route. District management was unable to explain why the students had been included in the number reported to PDE. [See *Finding 2*]
- Lists maintained by various District departments of service contracts entered into by the District that were in place during the FYE June 30, 2021. District management stated that they do not maintain a centralized list of District service contracts and instead provided lists maintained by two of its departments and one maintained by the Superintendent office staff. Based on concerns received regarding specific service contracts, we found the lists provided did not contain all of the District's service contracts. We reviewed the FYE June 30, 2021, vendor payment list and found payments to vendors that were not on the service contract lists provided by District management but had a contract with the District to provide services. [See *Finding 3*]

A Performance Audit

Wyoming Valley West School District

Appendix B

Distribution List

This report was distributed to the following Commonwealth officials:

The Honorable Josh Shapiro

Governor

Mr. David Tosh

Superintendent
Wyoming Valley West School District

Mr. Thomas Witiak

Finance Manager
Wyoming Valley West School District

Mr. Charles Kamus

President, Board of Education
Wyoming Valley West School District

Mrs. Jennifer Bullock

Secretary, Board of Education
Wyoming Valley West School District

The Honorable Dr. Khalid N. Mumin

Secretary
Pennsylvania Department of Education

Ms. Jessica Sites

Director, Bureau of Budget and
Fiscal Management
Pennsylvania Department of Education

The Honorable Scott Martin

Senate Majority Appropriations Chairman
Pennsylvania Senate

The Honorable Vincent Hughes

Senate Minority Appropriations Chairman
Pennsylvania Senate

The Honorable Jordan Harris

House Majority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Seth Grove

House Minority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Kim Ward

President Pro-Tempore
Pennsylvania Senate

The Honorable Joanna McClinton

Speaker of the House
Pennsylvania House of Representatives

The Honorable Matt Bradford

House Majority Leader
Pennsylvania House of Representatives

The Honorable Bryan Cutler

House Minority Leader
Pennsylvania House of Representatives

The Honorable Joe Pittman

Senate Majority Leader
Pennsylvania Senate

The Honorable Jay Costa

Senate Minority Leader
Pennsylvania Senate

The Honorable Peter Schweyer

House Education Majority Chair
Pennsylvania House of Representatives

A Performance Audit

Wyoming Valley West School District

The Honorable Jesse Topper
House Education Minority Chair
Pennsylvania House of Representatives

The Honorable David Argall
Senate Education Majority Chairman
Pennsylvania Senate

The Honorable Lindsey Williams
Senate Education Minority Chair
Pennsylvania Senate

The Honorable Lisa Baker
Senator
Pennsylvania Senate

The Honorable Aaron Kaufer
Representative
Pennsylvania House of Representatives

The Honorable Uri Monson
Secretary of the Budget
Office of the Budget

The Honorable Stacy Garrity
State Treasurer
Pennsylvania Treasury Department

The Honorable Michelle A. Henry
Attorney General
Office of the Attorney General

The Honorable Neil Weaver
Secretary of Administration
Office of Administration

Mr. William Canfield
Director
Bureau of Audits
Office of Comptroller Operations

Ms. Mary Spila
Collections/Cataloging
State Library of Pennsylvania

This report is a matter of public record and is available online at 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.