

October 18, 2010

Ms. Bernadette Laskowski  
Department of the Auditor General  
Bureau of School Audits  
Suite 606, Renaissance Centre  
1001 State Street  
Erie, PA 16501

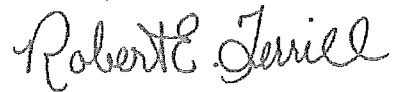
Dear Ms. Laskowski:

Enclosed are the five Management Replies to the audit findings submitted to this office.

Please contact me if you have any concerns or questions.

Again, thank you for investing the many hours sorting through the issues in Warren County. Your efforts were appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Robert E. Terrill".

Robert E. Terrill, Ed.D.  
Superintendent of Schools

Copy to: Ruth Huck, Board Secretary

#1 MR

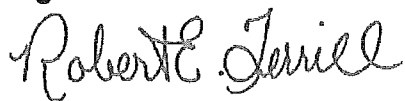
**Management Reply Form**LEA: Warren County School District Date Requested: September 21, 2010Audit Period: June 30, 2007 and 2008 Date Due: ASAPFinding Title: Lack of Managerial Direction and Authority Resulted in Internal Control breakdowns in Governance, Communication, Teamwork, and Efficient and Effective Operations Within The District.

- ☒ Management agrees with the finding
- ☐ Management disagrees with the finding
- ☐ Management waives the opportunity to reply at this time

**MANAGEMENT COMMENTS:** (Please explain the cause of the problem and note what corrective action is planned. (If necessary, attach additional paper.)

Management agrees with the finding and will take corrective action. Specifically, the Business Department operation will be completely reviewed and revised to comply with the recommendations submitted by the Auditor General.

Please see the attached Management Reply which is found on the following pages.

**Signature/Date**\_\_\_\_\_  
Superintendent, Ex. Director, Director\_\_\_\_\_  
Business Manager

## **MANAGEMENT REPLY**

**Finding Title:** Lack of Managerial Direction and Authority Resulted in Internal Control Breakdowns in Governance, Communication, Teamwork, and Efficient and Effective Operations Within the District

**Cause of Problem:**

1. Key personnel do not fully understand their duties as defined in the PSC, school board policies and directives or District defined job descriptions/contracts. Managerial direction was absent.
2. Requested information was not timely provided.
3. Lack of defined managerial responsibilities resulted in governance struggles, lack of direction, and inefficiency.
4. The AFR (Annual Financial Report) consisted of erroneous numbers.
5. The 2010 school budget was presented with inaccurate line items.
6. Past reporting of the District federal programs Social Security and Medicare Wages was incorrect and not corrected as recommended in the last Auditor General findings.
7. Replacement of an investment company as directed in April of 2010 by the Board was not initiated until June, 2010.
8. Bank and investment statements were not reconciled to the general ledger in a timely manner. Therefore, the reports did not accurately reflect the district's monthly deposit, expenditures, or available cash. Bank statements were continuously un-reconciled despite the District auditor findings in previous audits.
9. The annual reconciliation of District accounts was not reported between 2007-08 and 2009-10.
10. The Treasurer was not involved in the execution of District checks. The Business Office controlled this function.
11. The Business Office did not always release Board approved payments in a timely manner.

12. The Business Office expanded the use of special checks beyond Board approved payments.
13. The Board upon the recommendation of the Business Administrator approved prep-authorized Debit/Credit Card purchases.
14. The Business Office did not submit contracted expenses to the Board after the Board approved the initial contract of expenses.
15. Dual controls in the payroll and accounts payable office were non-existent.
16. Dual controls in the operation of the check signing machine were non-existent.
17. Requested information by the District's external auditors has been an continuous problem.
18. The performance of the Auditor General's audit was impeded due to the continued need to locate and obtain required information from alternative sources.
19. No formalized operating procedures exist in the Business Office.
20. Required quarterly activity account reports have not be submitted to the Board since 2003.
21. The Business Office and other central office personnel circumvented the Board Secretary and submitted Board meeting information directly to the Board members.
22. The Business Office and Treasurer did not communicate with the Board Secretary in regards to the special check exceptions, automatic payment of credit card charges, unapproved contractor payments, and the holding of Board approved disbursements.
23. There exists no clear line of authority between the Superintendent and Business Administrator.

**Corrective Action:**

1. The Business Administrator will develop and implement written procedures to ensure that revenue received by the school district is properly classified on the general ledger and reported in the correct year of receipts
2. The Business Administrator will develop written procedures (that involve central office directors and business office staff) to ensure the completion of the AFR accurately and in a timely manner.

3. The Business Administrator will attend PASBO or other state conferences to enhance his job performance skills.
4. The Business Administrator will develop written procedures (that involve business office staff and central office directors) that ensure grant revenues and expenses are properly recorded in the general ledger, accurately reflect grant activity, and are acted upon in a timely manner.
5. The Business Administrator will develop written procedures that ensure the Business Office will reconcile on a monthly basis, the District's bank and investment statements with appropriate journal entries.
6. The Business Administrator will develop written procedures that reduce the number of non-board approved expenditures.
7. The Business Administrator will develop written procedures that ensure that the district has sufficient funds available prior to the Board's approval of payments to be made.
8. The Business Administrator will develop written procedures that establish a filing system to ensure required reports and supporting documentation is available for audit purposes.
9. The Business Administrator will develop written procedures that define responsibilities, controls, and reporting structure for Business Office staff.
10. The Business Administrator will develop written procedures that require the Business Office to prepare, review, and maintain monthly financial statements for cash flow and fund balances.
11. The Superintendent in cooperation with the Board will develop written policy and procedures which establishes a clear line of authority between the Superintendent and Business Administrator.
12. The Superintendent in cooperation with the Board and Board Secretary will develop written policy and procedures to establish the Board Secretary's position as a liaison between the Board and the Business Office.
13. The Superintendent in cooperation with the Board, Board Secretary, and Business Administrator will develop written policy and procedures that fosters open communication between the Treasurer, the Business Administrator, and Board Secretary.

14. The Superintendent in cooperation with the Board will develop written policy and procedures that ensures initial and continued professional development in the area of Board governance, and business obligations.
15. The Business Administrator and Superintendent will review the District credit card policies and preauthorization payments to strengthen control over expenditures (added on October 25, 2010).

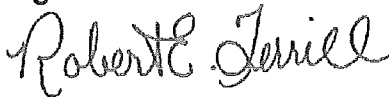
#2  
MR**Management Reply Form**LEA: Warren County School District Date Requested: September 21, 2010Audit Period: June 30, 2007 and 2008 Date Due: ASAPFinding Title: Continuing Administrative Weaknesses Resulted in Unverifiable Social Security and Medicare Wages for School Years 2007-08 and 2006-07.

- 
- ☒ **Management agrees with the finding**
- ☐ Management disagrees with the finding
- ☐ Management waives the opportunity to reply at this time
- 

**MANAGEMENT COMMENTS:** (Please explain the cause of the problem and note what corrective action is planned. (If necessary, attach additional paper.)

Management agrees with the finding and will take corrective action.

Please see the attached Management Reply which is found on the following pages.

**Signature/Date**

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Superintendent, Ex. Director, Director

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Business Manager

## **MANAGEMENT REPLY**

**Finding Title:** Continuing Administrative Weaknesses Resulted in Unverifiable Social security and Medicare Wages for School Years 2007-08 and 2006-07.

**Cause of Problem:**

1. The Business Office failed to complete the Social Security/Medicare Wages corrective action for which it had created in 2008.
2. The Business Office did not involve the Personnel Office and Federal Programs staff in a review of the Social Security/Medicare Wages for the years 2007-08 and 2006-07.
3. The payroll supervisor who would ordinarily reconcile the Social Security/Medicare Wages was delegated other responsibilities and therefore, did not have the time to complete the reconciliation.
4. No procedures are in place to ensure that the Social Security/Medicare Wages are (a) recorded correctly, (b) identified with the applicable employees, (c) verified with actual federally funded program wages and benefits.

**Corrective Action:**

1. The Business Administrator in coordination with the Federal Programs Director will develop and implement written procedures to ensure that (a) federal wage employees are recognized on the District's payroll records; (b) District personnel annually reconcile federal grant wages with District paid wages; and (c) district personnel comply with Department of Education instructions for the completion of the Reconciliation of Social Security and Medicare tax computations when reporting wages paid by federal funds.



#3 MR

## Management Reply Form

LEA: Warren County School District Date Requested: September 21, 2010

Audit Period: June 30, 2007 and 2008 Date Due: ASAP

Finding Title: Internal Control Weaknesses, Lack of Documentation Supporting Pupil Transportation Reimbursement of \$6,126,077, and Lack of Documentation Supporting Usage of Tax Exempt Fuel

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- ☒ **Management agrees with the finding**
- ☐ Management disagrees with the finding
- ☐ Management waives the opportunity to reply at this time
- 

**MANAGEMENT COMMENTS:** (Please explain the cause of the problem and note what corrective action is planned. (If necessary, attach additional paper.)

Management agrees with the finding and will take corrective action. Specifically, the Transportation Department operation will be completely reviewed and revised to comply with the recommendations submitted by the Auditor General.

Please see the attached Management Reply which is found on the following pages.

**Signature/Date**

*Robert E. Ferrell*

\_\_\_\_\_  
Superintendent, Ex. Director, Director

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Business Manager

## MANAGEMENT REPLY

**Finding Title:** Internal Control weaknesses, lack of documentation supporting pupil transportation reimbursement of \$6,126,077 and lack of documentation support usage of tax exempt fuel.

**Cause of Problem:**

1. Not reconciling (and lack of written procedures for reconciling) the PDE form 1049 figures for the 2006-07 and 2007-08 school years with the expenditure journals in the accounting system for those respective years.
2. Lack of monitoring fuel consumption.
3. The Transportation Manager was not knowledgeable about the Excel Spreadsheet.
4. The Transportation Department personnel were not aware of the need to reconcile the Excel Spreadsheet (payments to vendors) with the general ledger. In the past, the Business office reconciled these expenditures.
5. 2007-08 contracts were not on file. These contracts are signed every time they are renewed. Copies of each signed contract will be filed in folders labeled by each year.
6. The small carrier contracts did not contain provisions for fuel reimbursement.
7. Contractors were not required to submit monthly odometer readings or invoices prior to receiving payment. The District automatically paid contractors without supporting documentation and without prior Board approval.
8. The transportation secretary made adjustments on the Excel Spreadsheet based solely on contractor information without supervisory approval.
9. The school district did not enforce its contractual requirement of being named as "additional insured" on the contractors' liability policies for 2007-08.
10. Some vehicles listed on 2007-08 contracts were not listed on the Excel Spreadsheet, and some vehicles listed on the Excel Spreadsheet were not listed on some contracts.
11. Contractor payments were disbursed prior to Board approval, which was not part of the contracts.
12. Contractors were responsible for pupil roster, resulting in possible miscounts.

13. Contractors were not required to report vehicle days of operation.
14. District records were not adequate to verify that the tax exempt fuel purchased was used for the exclusive purpose of transporting students. Drivers do not use fuel logs which include dates, vehicle number, amount of fuel dispensed, initials of the vehicle driver, and the actual purpose of the fuel dispensed.

**Corrective Action:**

1. The Business Administrator and Transportation Manager will develop and implement written procedures to ensure that all transportation costs are properly recognized and reconciled to the general ledger prior to submitting the PDE form 1049 to the Department of Education for subsidy reimbursement. These procedures will involve an internal review by the Business Administrator and Transportation manager to ensure the accuracy of data submitted to the PDE for reimbursement.
2. The Business Administrator and Transportation Manager will develop and implement written procedures to independently monitor the mileage driven by each vehicle (odometer readings) and consumption of fuel for said mileage each month. These procedures will ensure that contractors submit monthly odometer readings, verifying mileage with and without pupils and pupil count, and also provide evidence of the actual usage of all tax exempt fuel purchased.
3. The Business Administrator and Board Attorney will prepare contract agreements, review these contract agreements with the bus contractors, and maintain signed copies on file at the District.
4. Current contracts effective July 1, 2010 contain provisions for fuel reimbursement.
5. Each contract now contains a written statement that names the school district as "additional insured" and that adequate current liability insurance coverage is provided and retained on file at the beginning of each school year.
6. Beginning immediately, the Board of School Directors at the August Board meeting will approve the list of vehicles and vehicle changes which will be filed in the Transportation office and reconciled with the Excel spreadsheet. Changes will be submitted to the Board monthly.
7. Contracts as of July 1, 2010 stipulate that transportation contractors will receive payments on the last business day of each month or the 30<sup>th</sup> of the month.
8. The Business Administrator and Transportation Manager will prepare and retain on file at the District source documentation used to report pupil transportation data to DE, including the number of nonpublic pupils transported, the weighted averaging for

pupils that enter, withdraw, or relocate within the District, and when bus route mileages change.

9. The Business Administrator and Transportation Manager will prepare and implement procedures that address the issue of Board approval of contractor payments prior to disbursement.
10. The Business Administrator and Transportation Manager will prepare and implement procedures that address the issue of Board approval of contractor payments prior to disbursement.
11. The Business Administrator and Transportation Manager will prepare and implement internal control procedures for payments made to the contractors and vendors which shall include the business office staff and transportation office staff to review for appropriateness and accuracy to ensure that a separation of duties exists in the payment process.
12. The Business Administrator and Transportation Manager will report to the Superintendent, who in turn will provide periodic reports to the Board, on the newly purchased software and the impact on the number of routes and potential cost savings.
13. The Business Administrator will monitor the periodic participation of the Transportation Department personnel in relevant training conferences and workshops.

#4MR

## Management Reply Form

LEA: Warren County School District Date Requested: September 21, 2010

Audit Period: June 30, 2007 and 2008 Date Due: ASAP

Finding Title: Continuing Errors in Nonpublic Pupil Transportation Counts and Other Department of Education (DE) Reimbursable Pupil Counts and Documentation Resulted in an Overpayment of \$44,992.

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- ☒ **Management agrees with the finding**
- ☐ Management disagrees with the finding
- ☐ Management waives the opportunity to reply at this time
- 

**MANAGEMENT COMMENTS:** (Please explain the cause of the problem and note what corrective action is planned. (If necessary, attach additional paper.)

Management agrees with the finding and will take corrective action.

Please see the attached Management Reply which is found on the following pages.

**Signature/Date**

*Robert E. Terrell*

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Superintendent, Ex. Director, Director

\_\_\_\_\_  
Business Manager

## **MANAGEMENT REPLY**

**Finding Title:** Continuing Errors in Nonpublic Transportation Counts and Other Department of Education (DE) Reimbursable Pupil Counts and documentation Resulted in an Overpayment of \$44,992.

**Cause of Problem:**

1. The Transportation Office did not obtain from the nonpublic schools verification identifying the pupils from the WCSD being transported. Instead the Transportation Office relied on contractors to identify the pupils.
2. The Transportation Office did not obtain for the records the calendars for each of the nonpublic schools.
3. The Transportation Office did not verify the exact number of charter school pupils being transported in the 2006-07 and 2007-08 school years.
4. The Transportation Office did not report the correct number of non-reimbursable pupils in the 2006-07 and 2007-08 school years.
5. The Transportation Office operated without procedures for verifying an accurate count of nonpublic and charter school students.

**Corrective Action:**

1. The Business Administrator and Transportation Manager will develop and implement procedures to ensure that nonpublic pupils transported by the district are accurately reported and that these records are kept on file to back up the number reported.
2. The Transportation Office will require all nonpublic schools to provide rosters of students enrolled.
3. The Transportation office will require all nonpublic schools to provide calendars to support the number of days pupils are transported.
4. The Business Administrator and Transportation Manager will develop and implement procedures to ensure that charter school pupils transported by the district are accurately reported and that these records are kept on file to back up the number reported.
5. The Business Administrator and Transportation Manager will develop and implement procedures to ensure that non-reimbursable pupils transported by the district are

accurately reported and that these records are kept on file to back up the number reported.

6. Review and revise the applications in question and resubmit to the PDE.

#5m12

## Management Reply Form

LEA: Warren County School District Date Requested: October 25, 2010

Audit Period: June 30, 2007 and 2008 Date Due: ASAP

Finding Title: Continuing Lack of Documentation Necessary to Verify School Bus Drivers' Qualifications

- 
- ☒ Management agrees with the finding
- ☐ Management disagrees with the finding
- ☐ Management waives the opportunity to reply at this time
- 

**MANAGEMENT COMMENTS:** (Please explain the cause of the problem and note what corrective action is planned. (If necessary, attach additional paper.)

Management agrees with the finding and will take corrective action.

Please see the attached Management Reply which is found on the following pages.

**Signature/Date**

*Robert E. Terrell*

\_\_\_\_\_  
Superintendent, Ex. Director, Director

\_\_\_\_\_  
Business Manager



## MANAGEMENT REPLY

**Finding Title:** Continuing Lack of Documentation Necessary to Verify School Bus Drivers' Qualifications

**Cause of Problem:**

1. The Transportation Manager did not implement fully the corrective action plan, which was developed by the Business Administrator and Transportation Manager in 2008.

*"The Transportation Department has implemented a check list that tracks all drivers and their associated qualifications, training routes, mandated clearances and licenses. The District is now requiring that all drivers regardless of their start date undergo criminal history and child abuse clearances. Every Contractor has been notified of the clearances requirement. All data is being reviewed and verified prior to the drivers transporting children."*

2. The Transportation Manager did not have on file, the state required licenses and clearances for each bus driver, which was a finding of the Auditor General in 2008.

**Corrective Action:**

1. The Business Administrator and Transportation Manager will implement the procedures described in the Management Reply to the 2008 Auditor General findings to ensure that (1) the Transportation Manager will review each driver's qualifications prior to that person transporting students; (2) that all driver files are reviewed for content and propriety of documentation; and (3) that the Warren County School District maintains up-to-date complete files.