

PERFORMANCE AUDIT

Beaver Area School District Beaver County, Pennsylvania

November 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Carrie M. Rowe, Superintendent
Beaver Area School District
1300 Fifth Street
Beaver, Pennsylvania 15009

Mr. Frank Bovalino, Board President
Beaver Area School District
1300 Fifth Street
Beaver, Pennsylvania 15009

Dear Dr. Rowe and Mr. Bovalino:

We have conducted a performance audit of the Beaver Area School District (District) for the period July 1, 2012, through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Transportation Operations
- Procurement Cards
- Bus Driver Requirements
- School Safety

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District performed adequately in the areas listed above, except as noted in the following finding:

- The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$59,290

Dr. Carrie M. Rowe
Mr. Frank Bovalino
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We appreciate the District's cooperation during the course of the audit.

Sincerely,

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

Eugene A. DePasquale
Auditor General

November 8, 2017

cc: **BEAVER AREA SCHOOL DISTRICT** Board of School Directors

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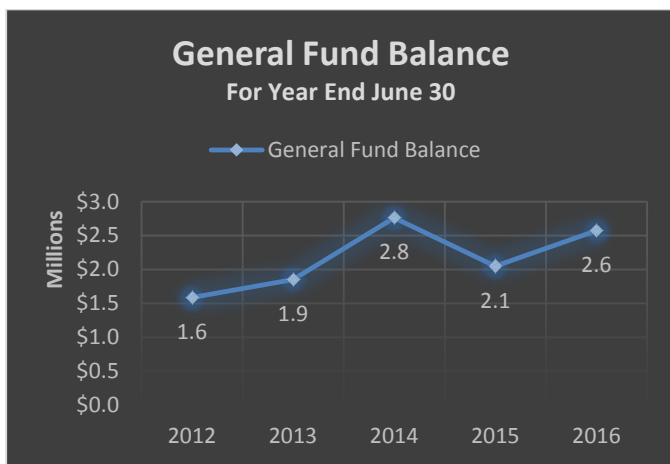
Background Information

School Characteristics 2015-16 School Year ^A		Mission Statement ^A
County	Beaver	A dynamic learning community connected by enduring relationships and academic excellence, is dedicated to preparing students to achieve their personal best today and tomorrow through the pursuit of rigorous academics which integrate creative thinking and innovation, through the development of an informed global perspective, and through the instilling of responsibility to their community.
Total Square Miles	22	
Resident Population ^B	14,783	
Number of School Buildings ¹	3	
Total Teachers	136	
Total Full or Part-Time Support Staff	35	
Total Administrators	16	
Total Enrollment for Most Recent School Year	2,099	
Intermediate Unit Number	27	
District Vo-Tech School	Beaver County Career & Technology Center	

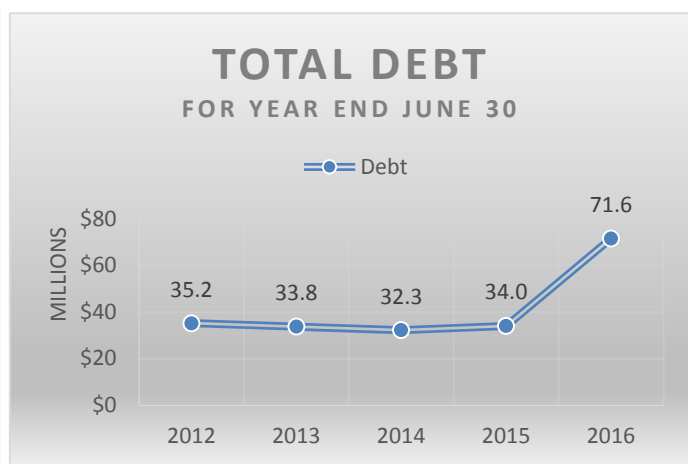
A - Source: Information provided by the District administration and is unaudited.
 B - Source: United States Census <http://www.census.gov/2010census>.

Financial Information

The following pages contain financial information about the Beaver Area School District (District) obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.



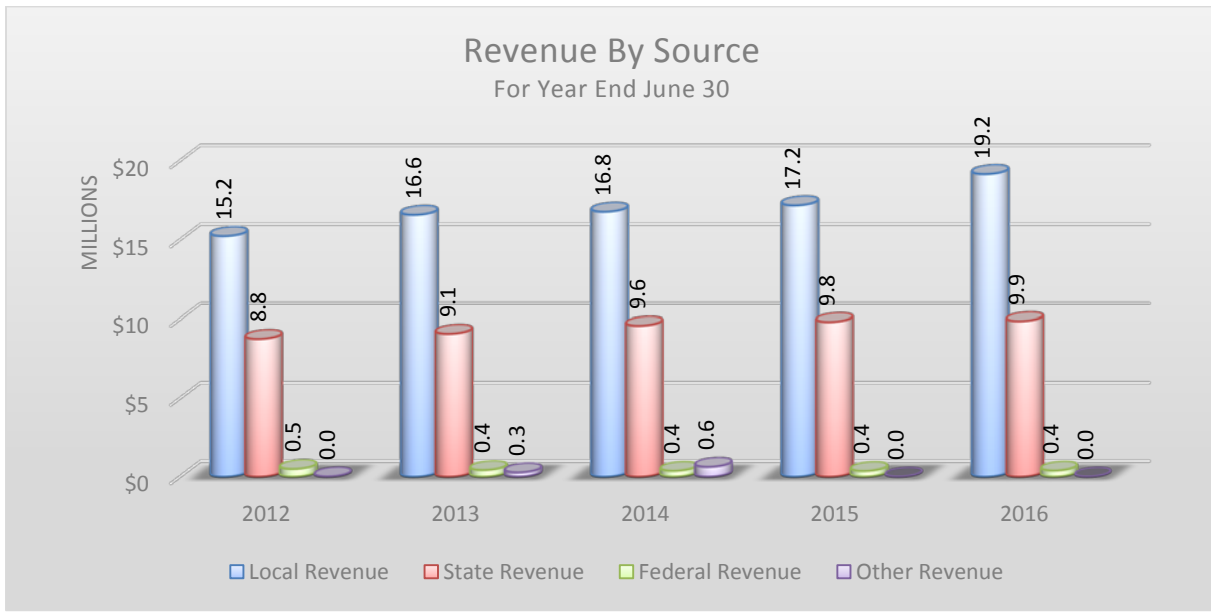
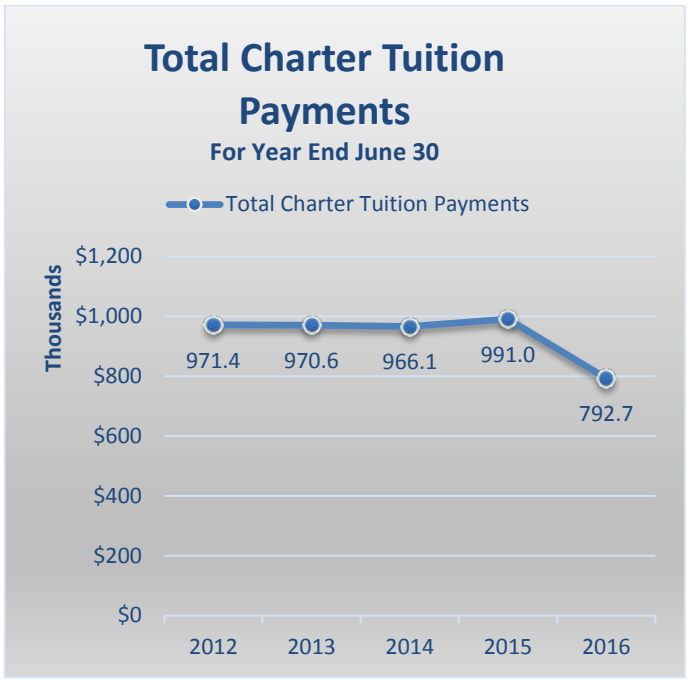
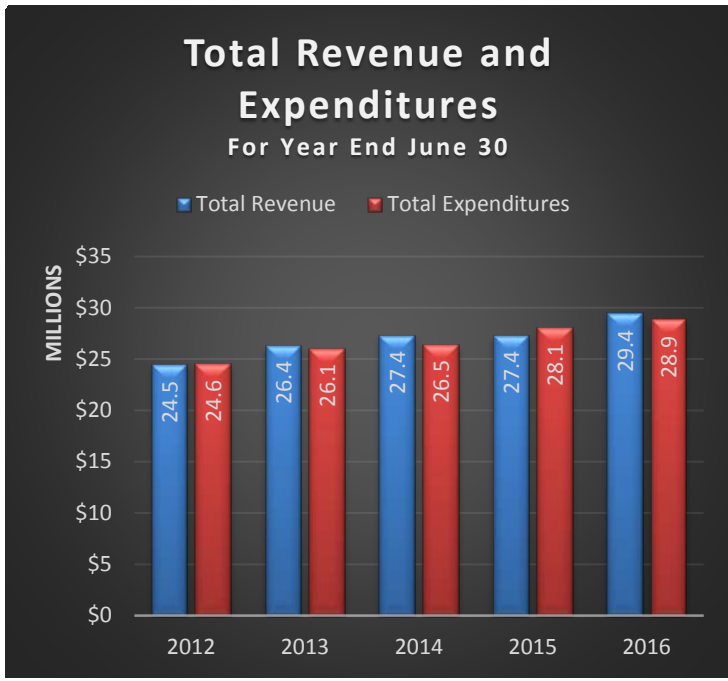
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



Note: Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits and Compensated Absences.

¹ The District consists of two elementary schools and one junior/senior high school.

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA), Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2014-15 and 2015-16 school years.² These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding chart.³ Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.⁴

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, which is calculated based on standardized testing (i.e. PSSA and Keystone exams), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.

PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.⁵ PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

What is the PSSA?

The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English and Math. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, and policymakers with important information about the state's students and schools.

² PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

³ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

⁴ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

⁵ According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of PSSA exams to align with state Common Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁶ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until at least 2020. In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

What is a 4-Year Cohort Graduation Rate?

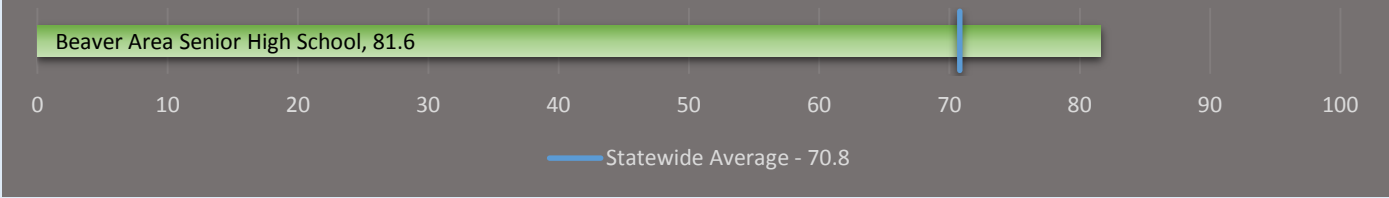
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.⁷

⁶ PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam. (Also, see footnote 4).

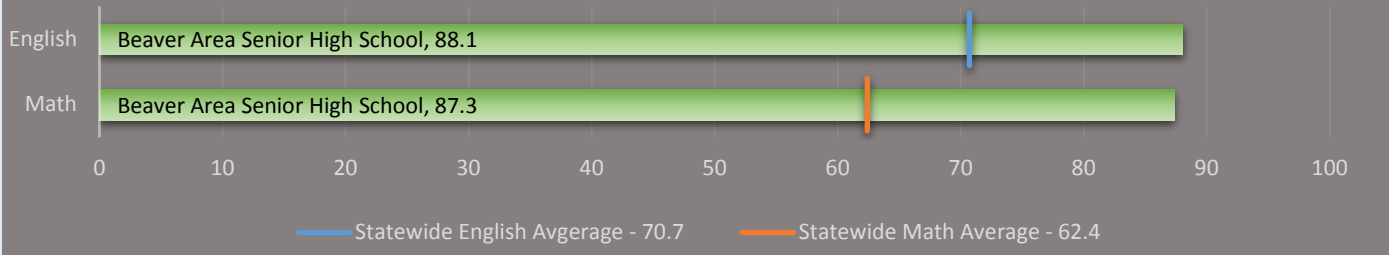
⁷ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

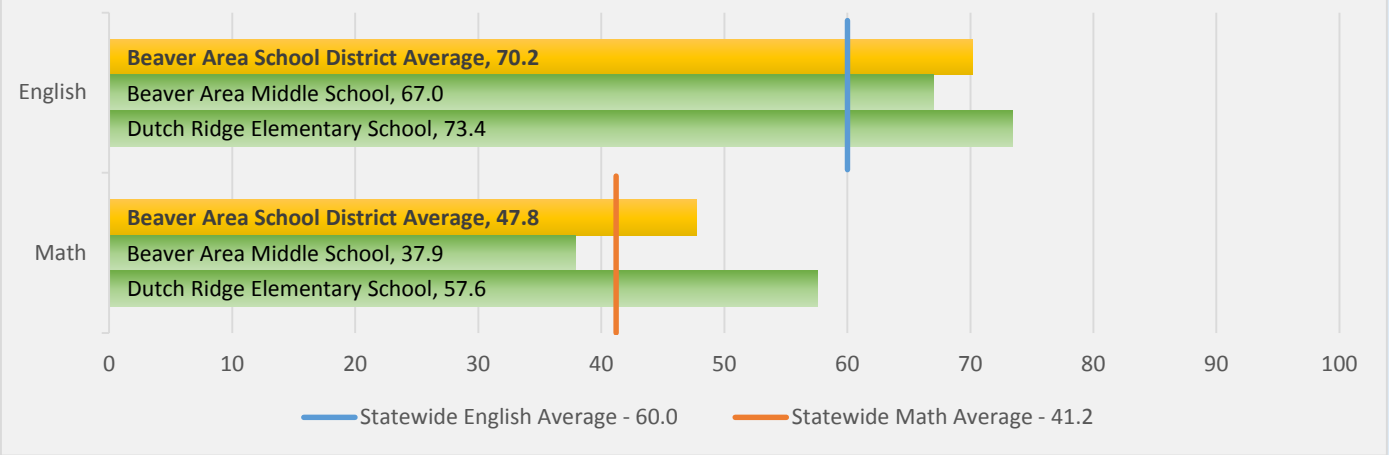
2014-15 SPP Scores



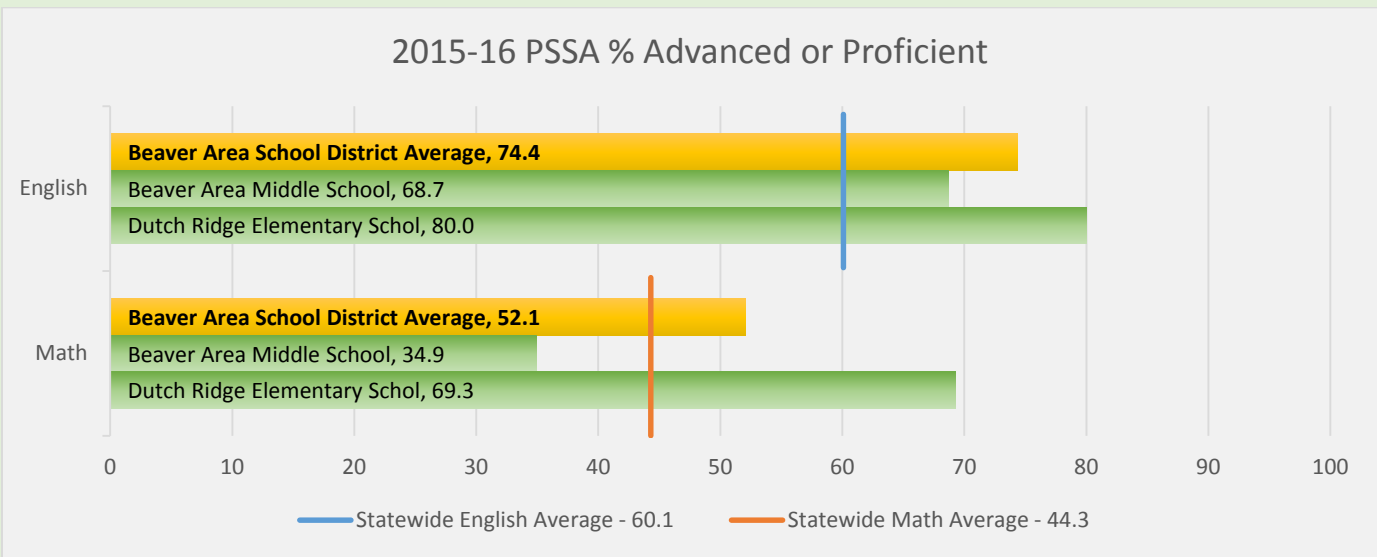
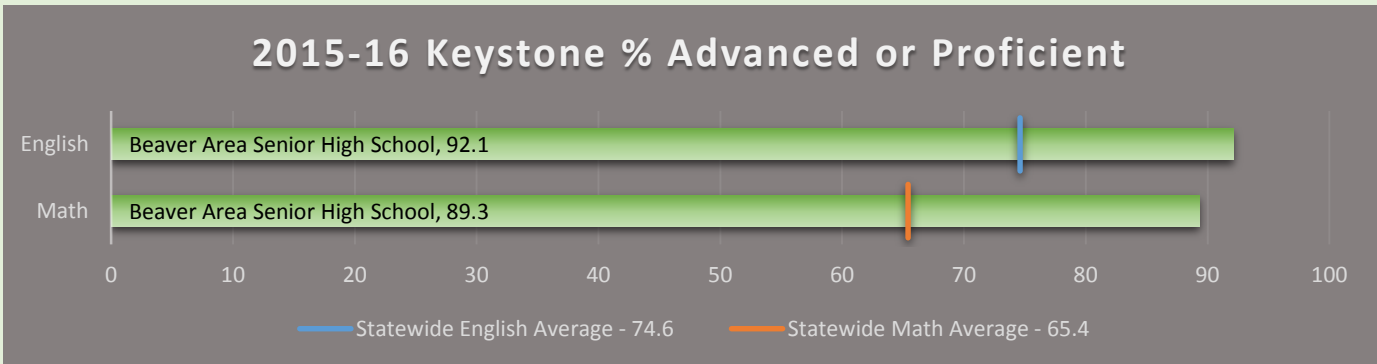
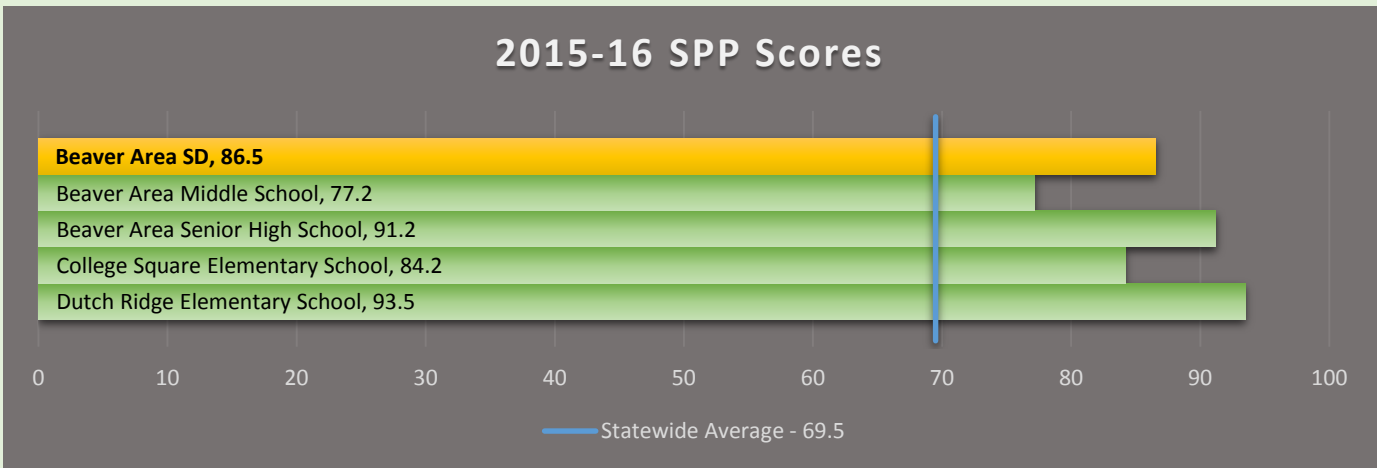
2014-15 Keystone % Advanced or Proficient



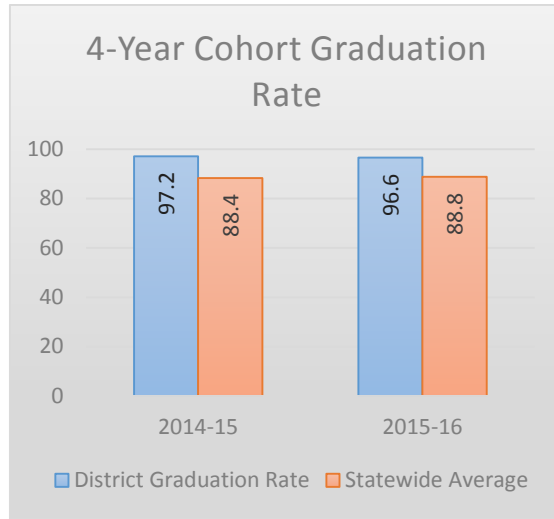
2014-15 PSSA % Advanced or Proficient



2015-16 Academic Data
School Scores Compared to Statewide Averages



4-Year Cohort Graduation Rate



Finding(s)

Finding

The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$59,290

Criteria relevant to the finding:

Supplemental Transportation Subsidy for Nonpublic Students

The Public School Code (PSC) provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 of the PSC, 24 P.S. § 25-2541, specifies the transportation formula and criteria.

Section 2541(a) of the PSC, 24 P.S. § 25-2541(a), states, in part: “School districts shall be paid by the Commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable pupils 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 mileage and the utilized passenger capacity of vehicles for reimbursement purposes. . . .”

The Beaver Area School District (District) was overpaid \$59,290 in transportation reimbursement from the Pennsylvania Department of Education (PDE). This overpayment was due to the District incorrectly reporting the number of nonpublic school students transported by the District during the 2012-13, 2013-14, and 2014-15 school years.

According to the PSC, a nonpublic school is defined, in part, as a nonprofit school other than a public school within the Commonwealth.⁸ If a school district provides transportation to students residing in their school district, the PSC requires school districts to provide transportation services to students who reside in its district and who attend nonpublic schools, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.

Our review of the District’s transportation data reported to PDE for the 2012-13, 2013-14, and 2014-15 school years found that the District over-reported the number of students transported in each year. These errors can be attributed to two primary causes. The District incorrectly included charter school students transported as part of the nonpublic students reported to PDE. The District also incorrectly calculated the total number of nonpublic students transported when compiling information from source documents.

⁸ See Section 922.1-A (b) (pertaining to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

Criteria relevant to the finding (continued):

Section 1361(a) of the PSC, 24 P.S. § 13-1361(a), requires school districts to provide free transportation to their students attending a nonpublic school located within the school district or outside the school district not exceeding ten miles by the nearest public highway. This provision also allows school districts to receive a supplemental, state transportation subsidy of \$385 per nonpublic school student pursuant to Section 2509.3 of the PSC, 24 P.S. § 25-2509.3.

Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit or parochial school.

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC, 24 P.S. § 25-2543, sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies.

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphasis added.)

The following chart summarizes the District’s nonpublic student reporting errors made in the 2012-13, 2013-14, and 2014-15 school years and the resulting cumulative overpayment.

Beaver Area School District Cost of Over Reporting Nonpublic Students				
School Year	Nonpublic Students Reported by District	Nonpublic Students Audited Total	Number of Students Over Reported	Overpayment⁹
2012-13	144	126	18	\$6,930
2013-14	142	112	30	\$11,550
2014-15	204	98	106	\$40,810
Total	490	336	154	\$59,290

The District did not have procedures established to require a review and reconciliation of the transportation data to their own internal data by a person independent of the person operating within the transportation reporting function in order to identify errors prior to the submission to PDE. This type of review would have helped to identify the issues that caused the overpayment described in this finding.

The District did receive the correct amount of transportation reimbursement from PDE for nonpublic students transported during the 2015-16 school year. The District worked in consultation with PDE to report the required transportation data for this year, and we verified that the information reported to PDE was correct.

We notified and provided PDE with discrepancy reports detailing the transportation errors we found. This information will assist PDE in verifying the overpayment to the District.

⁹ Calculated by multiplying the students over reported column by \$385, which is the per student amount PDE reimburses a school district for providing transportation service to each nonpublic student pursuant to Section 2509.3 of the PSC. See 24 P.S. § 25-2509.3.

Criteria relevant to the finding (continued):

PDE has established a Summary of Students Transported form (PDE-2089) and relevant instructions specifying how districts are to report nonpublic students transported to and from school.

Related regulations

State Board of Education Regulations, Title 22, Chapter 23 (relating to Pupil Transportation):

Section 23.4: “The board of directors of a school district is responsible for all aspects of pupil transportation programs including . . . (3) The establishment of routes, schedules and loading zones which comply with laws and regulations, . . . (5) The furnishing of rosters of pupils to be transported on each school bus run and trip; (6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones. . . .” See 22 Pa. Code § 23.4(3), (5), and (6).

Recommendations

The *Beaver Area School District* should:

1. Implement a procedure to have a District official, other than the person who prepares the data, to review transportation data prior to submission to PDE.
2. Conduct annual multi-year trend analyses of student transportation data and transportation subsidies to help identify unexpected fluctuations and investigate the results of the analyses to provide additional assurance that data is accurately reported to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District’s allocations to recover the overpayment of \$59,290.

Management Response

District management provided the following response:

Cause

The previous business manager left abruptly in June 2014. When the new business manager arrived in September of that year, little to no data had been collected by the previous business manager. The new business manager had to try to piece things together using the previous year’s transportation filing as a guide. Unfortunately, the previous business manager had mistakenly included Charter School students in with the Non-Public Students, and this error carried through the 14-15 year.

Corrective Action

The current Business Manager had the former transportation company separate its Charter School bus invoicing from its Non Public invoicing, while the Assistant Superintendent added/populated a new bus route number field to the BASD Power School Database. In addition, when the bus route data has been input at the school level, it is verified by one of the accounting coordinators at the business office. Once the accounting coordinator verifies it, she uses it for the transportation filing and the business manager reviews her numbers and her back up documentation before submitting to PDE.

In addition, once the filing is ready for submittal, the past three years of pupil counts for Public, including Charter, and Non Public pupils are compared to see if any variances are out of line. If no variances look out of line, the report is then submitted.

Auditor Conclusion

We are encouraged that the District has implemented new procedures for the reporting of pupil transportation. We will review the effectiveness of these procedures and any other corrective action implemented by the District during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Beaver Area School District (District) released on August 7, 2014, resulted in one observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on August 7, 2014

Prior Observation: The District Lacks Sufficient Internal Control Over Its Student Data

Prior Observation Summary:

During our prior audit of the District, we found that vocational education students' membership data was improperly reported, which resulted in an overstatement of resident days for the 2010-11 and 2011-12 school years. The errors were a result of the District improperly reporting vocational education days at 100 percent of time enrolled when the students were only at the District for 50 percent of the day.

Prior Recommendations: We recommended that the District should:

1. Review membership reports submitted to the Pennsylvania Department of Education (PDE) for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.
2. Develop procedure manuals, policies, written instructions, etc. to ensure continuity over the Pennsylvania Information Management System (PIMS) data submission.
3. Perform reconciliations between PIMS data and child accounting software data to help ensure accurate reporting of child accounting data.
4. Cross-train individuals to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures, in the event of a sudden change in personnel.

Current Status:

We found that the District has followed our recommendations by strengthening its controls over its membership reporting. The District had made adjustments to their software program by creating a student calendar for the vocational students and recoding them so that those students would be identified properly in the PIMS data system. In

addition, the District provides training to individuals with reporting requirements and PIMS procedures. The District completes a reconciliation of PIMS data and its own accounting software to ensure accurate reporting.

Appendix: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹⁰ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

Overall, our audit covered the period July 1, 2012, through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Beaver Area School District's (District) management is responsible for establishing and maintaining effective internal controls¹¹ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

¹⁰ 72 P.S. §§ 402 and 403.

¹¹ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2012, through June 30, 2016. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- Transportation Operations
- Procurement Cards
- Bus Driver Requirements
- School Safety

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹²
 - To address this objective, we randomly selected 11 of 43 total buses for the 2014-15 school year. We obtained information that supported data reported to PDE to ensure that the District reported the correct information and received the appropriate transportation subsidies from PDE. This information included: odometer readings, daily mileage sheets, and student rosters.
 - Additionally, we reviewed supporting documentation for all 205 charter and 417 nonpublic students transported by the District during the 2012-13, 2013-14, 2014-15, and 2015-16 school years to determine if all charter and nonpublic students transported by the District were accurately reported to PDE and that the District received the correct subsidy for these students.¹³ See the Finding beginning on page 8 for the results of our review of this objectives.

¹² See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹³ Charter school students were 34, 51, 78, and 42, respectively. Nonpublic students were 126, 112, 98, and 81, respectively.

- ✓ Did the District ensure that procurement card purchases were made in accordance with the District’s board policies and administrative procedures?
 - To address this objective, we reviewed board policy and administrative procedures governing procurement cards and verified each user had a signed user agreement on file. We performed detail testing on all 72 purchases made on one of the three corporate credit cards during the 2015-16 school year. Specifically, we reviewed statements, invoices, and receipts to verify that sales tax was not paid by the District and to verify that purchases were made in accordance with the Employee Usage Agreements and District policies and procedures. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District ensure that bus drivers transporting District students had the required driver’s license, physical exam, training, background checks, and clearances as outlined in applicable laws?¹⁴ Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected five of the six new bus drivers hired by the District on April 17, 2017, and reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and, when followed, if those procedures ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁵
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, and anti-bullying policies. Due to the sensitive nature of school safety, the results of our review of objective area are not described in our audit report. The results of our review of school safety are shared with District officials and, if deemed necessary, PDE.

¹⁴ 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

¹⁵ 24 P.S. § 13-1301-A *et seq.*

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

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Commonwealth of Pennsylvania
Harrisburg, PA 17120

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