

PERFORMANCE AUDIT

Central Greene School District Greene County, Pennsylvania

May 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Brian Uplinger, Superintendent
Central Greene School District
250 South Cumberland Street
Waynesburg, Pennsylvania 15370

Mr. Andrew Corfont, Board President
Central Greene School District
250 South Cumberland Street
Waynesburg, Pennsylvania 15370

Dear Mr. Uplinger and Mr. Corfont:

We have conducted a performance audit of the Central Greene School District (District) for the period July 1, 2011 through June 30, 2014, except as otherwise stated. We evaluated the District's performance in the following areas:

- Academics
- Governance
- Contracting
- Data Integrity
- School Safety
- Bus Driver Requirements

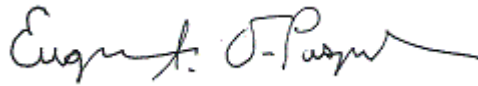
The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to 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's Acquisition of Technology Equipment in the Amount of \$239,000 was in Noncompliance with the Public School Code Bidding Requirements. The District Also Failed in the Execution and Monitoring of Contracts.

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. 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 at the end.

Eugene A. DePasquale
Auditor General

May 26, 2016

cc: **CENTRAL GREENE SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

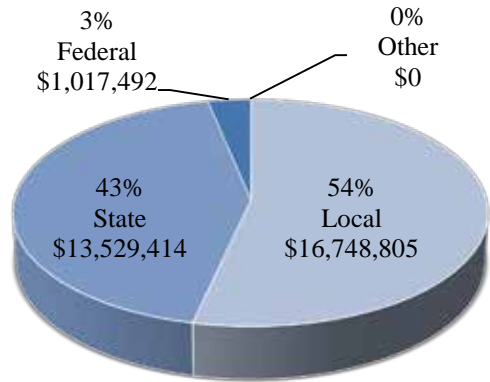
School Characteristics 2014-15 School Year ⁱⁱ	
County	Greene
Total Square Miles	168
Resident Population ⁱⁱⁱ	15,921
Number of School Buildings	3
Total Teachers	171
Total Full or Part-Time Support Staff	96
Total Administrators	12
Total Enrollment for Most Recent School Year	1,841
Intermediate Unit Number	1
District Vo-Tech School	Greene County Career and Technology Center

Mission Statement

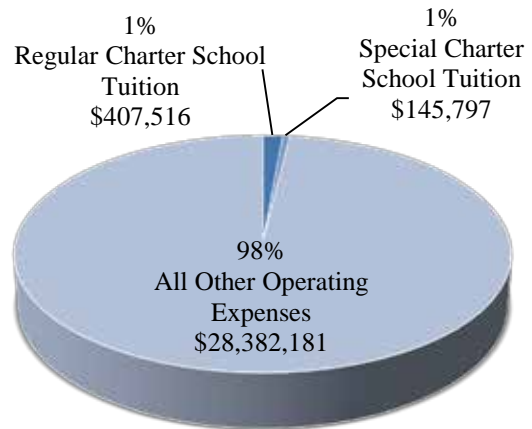
“To provide a comprehensive education for all students to become successful critical thinkers as they enter a global society.”

Financial Information

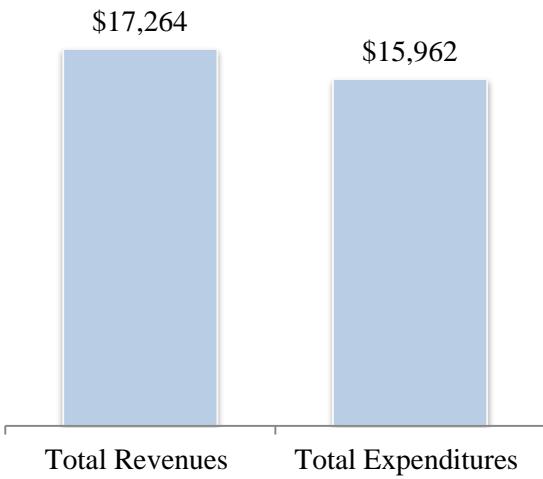
Revenue by Source for 2012-13 School Year



Select Expenditures for 2012-13 School Year

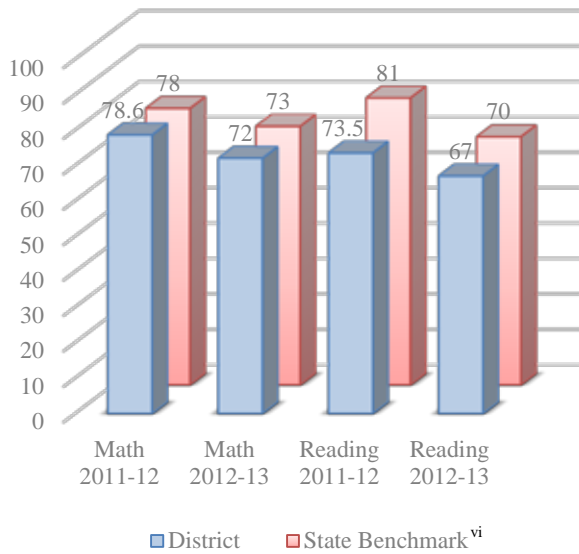


**Dollars Per Student
2012-13 School Year**



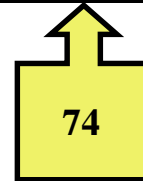
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{iv v}



District's 2012-13 SPP Score^{vii}

A	B	C	D	F
90-100	80-89.9	70-79.9	60-69.9	<60
▲	▲	■	▼	▼



**Individual Building SPP and PSSA Scores^{viii}
2012-13 School Year**

School Building	SPP Score	PSSA % School Proficient and Advanced in Math	PSSA % Statewide Benchmark of 73% Above or Below	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark of 70% Above or Below	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
Miller Middle School	80	72	1	69	1	Not Applicable
Waynesburg Central Elementary School	71	73	---	66	4	No Designation
Waynesburg Central High School	72	75	2	71	1	Not Applicable

Findings and Observations

Finding

The District’s Acquisition of Technology Equipment in the Amount of \$239,000 was in Noncompliance the Public School Code Bidding Requirements. The District Also Failed in the Execution and Monitoring of Contracts.

Criteria relevant to the finding:

Under Section 807.1(a.2) of the Public School Code (PSC), 24 P.S. 8-807.1(a.2) states, in part, “All furniture, equipment, textbooks, school supplies and other appliances for the use of the public schools costing, subject to adjustment under section 120, a base amount of eighteen thousand five hundred dollars (\$18,500) or more shall be purchased by the board of school directors only after due advertisement. . . .”

Central Greene SD Board Policy #610 - Purchases Subject to Bid/Quotation states: “It is the policy of the Board to obtain competitive bids and price quotations for products and services where such bids or quotations are required by law or may result in monetary savings to the school district. The Board shall, after due public notice advertising for competitive bids, purchase furniture, equipment, school supplies and appliances costing \$10,000 or more, unless exempt by statute.”

Our audit of the District’s contracting process found deficiencies in the acquisition, execution, and monitoring of various contracts for goods and services. To gain an understanding of the District’s controls over the contracting process for the 2013-14 school year, we obtained the District’s highest volume vendor report listing 50 vendors from which the District purchased the largest amount of goods and services. We randomly selected four contracts in the areas of food service management, maintenance service, transportation services, and the purchase of computers and technology equipment. We found that the District did not seek competitive bids for \$239,000 in technology equipment and failed to fully execute a contract with a maintenance services company.

In addition, we found that the food service contract was not appropriately monitored to ensure that the District was controlling costs. Without better controls over contracting, the District exposes itself to the possibility of spending more for the goods and services necessary in the operation of the District.

Monitoring

We found that the District’s food service contract was a one-year contract with an effective date of July 1, 2009. The contract was renewed each year through June 30, 2014. The contract states that it is the responsibility of the food service management company to handle all the purchasing and that the District would approve the bills. We found that while the District is approving the bills, as noted in the board meeting minutes, there are no procedures in place to monitor what the food service management company is purchasing. The District is authorizing payment of invoices without monitoring what was purchased and what was actually received by the food service management company. The District’s food service program lost money

Criteria relevant to the finding (continued):

National Contract Management Association, Contract Management, October 2008, pages 54 and 61, “The Best Ways to Define and Implement Performance Metrics,” by Suzette M. Olson – “Using performance metrics on service contracts is generally accepted as the best way to determine if the contractor is providing the requested service under the contract (page 54).” “The government (district) is obligated to clearly communicate expectations, objectives, and measures in order to achieve the best performance by the contractor. A PEMP (Performance Evaluation and Measurement Plan) enables the government (district) to clearly articulate the expected contractor performance. Further, it also defines how performance will be evaluated and measured. If both parties rigorously adhere to the criteria in the PEMP, the government (district) will get the performance they expect and the contractor will be fully aware of its expectations for performance (page 61).”

Sound business practices dictate that contracts be signed by all parties prior to the start of the contract.

in each of the four years from 2009-10 through 2013-14 totaling \$255,526. The District could possibly mitigate those losses by closely monitoring what goods are received and comparing this to the invoices to determine where the losses might be occurring and to ensure that invoices reflect the goods that were received.

Acquisition

We found that during the 2013-14 school year, the District purchased approximately 180 computers, cables, and servers totaling \$239,000 without obtaining bids from various technology equipment companies to determine that they were securing the best product at the lowest price. Instead, the administration sought a price from a technology vendor which was recommended by Intermediate Unit 1 that serves the District. The prices were deemed acceptable by the Administration and the Board of School Directors (Board); therefore, the District made several purchases from the company during the 2013-14 school year. Without securing bids/quotes, the District not only was in noncompliance with the PSC, but they were in violation of the District’s purchasing policy and failed to guarantee that they were getting the equipment at the best price for the taxpayers.

Execution

Although the PSC does not require public schools to competitively bid, nor solicit quotes for any professional services, we were glad to find that the District’s contract for maintenance services from a facilities maintenance company was properly bid and obtained. However, since the maintenance services contract, which began on July 1, 2013, was never executed, we believe that as a best business practice the District should ensure that the contract is properly signed by both parties.

When asked why the contract was not signed, the Business Manager stated “there was some disagreement on the particular wording in some sections of the contract, which our solicitor is currently reviewing.” As of March 3, 2016, the contract remained unsigned. By not having the contract completed and signed, the District continues to pay for services that neither party has fully agreed upon. Should a misunderstanding between the two parties occur, the

District could be exposed to potentially damaging and costly legal actions. In addition, although the administration works closely with the Maintenance Director, who is employed by this maintenance company, there is no formal review process to monitor compliance with the service contract.

Conclusion

The District needs to ensure that their contracting process adheres to the PSC and/or best business practices and that they are monitoring and fully executing all existing contracts. Without a transparent and district-controlled contracting process, the District is vulnerable to not receiving needed goods and services or not receiving the best value for goods and services.

Recommendations

The *Central Greene School District* should:

1. Establish procedures that would allow the District to monitor food service department purchases.
2. Take the necessary steps to advertise for bidders or purchase products from already established purchasing channels such as Participatory Public Expenditure Management – a statewide list of vendors with pre-approved prices for the purchase of furniture, equipment, textbooks, school supplies and other appliances.
3. The solicitor and/or district administration should as a best business practice agree on the contract language with the maintenance company and have the contract properly executed.

Management Response

Management stated the following:

“In the future, all technology equipment purchases will be acquired according to the PA School Code bid process and guidelines. All contracts will be properly executed and monitored. The Board of Education will approve all equipment purchases through established thresholds as per the PA School Code and District policies.”

Auditor Conclusion

We are pleased that the District is taking steps to correct the weaknesses found during our audit. We will determine the effectiveness of the steps taken during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on November 1, 2012, resulted in one observation. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on November 1, 2012

Prior Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses (Resolved)

Prior Observation

Summary:

The District used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the District's network servers. In addition, five weaknesses were noted pertaining to the vendor's access to the District's system.

Prior

Recommendations:

We recommended that the District should:

1. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.
2. Develop policies and procedures to require written authorization when adding, deleting, or changing a user ID.
3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
4. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days) and to use passwords that are a minimum of eight characters.

5. The District should allow access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. The access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
6. The District should store backup tapes in a secure, off-site location.

Current Status:

During our current audit, we verified that each recommendation was implemented. Policy 815 was revised on September 16, 2014. In addition, Policy 815.1 was adopted at the same time that provides the necessary controls over access into the District's software. Contained in this policy is the creation of the Acknowledgement and Consent form which is to be signed by students, employees, guests, and vendors. Back-ups are now stored offsite.

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, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,¹ is not a substitute for the local annual financial audit required by the PSC 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, 2011 through June 30, 2014. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls² to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, that 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.

¹ 72 P.S. § 403.

² 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, grant requirements, 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, financial reports, annual budgets, and new or amended policies and procedures. 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:

- Academics
- Governance
- Contracting
- Data Integrity
- School Safety
- Bus Driver Requirements

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

- ü Did the LEA's Board and administration maintain best practices in governing academics and student achievement by developing and executing a plan to improve student academic performance at its underperforming school buildings?
 - o To address this objective, we considered a variety of District and school level academic results for the 2007-08 through 2012-13 school years to determine if the District had schools not meeting statewide academic standards established by PDE.³ Since one underperforming schools was identified, we selected it for further review. This review consisted of conducting interviews with the Superintendent and any other designated employees and reviewing required School Improvement Plans and optional School Level Plans to determine if the selected underperforming school had established goals for improving academic performance, are implementing goals, and are appropriately monitoring the implementation of these goals.

³ Academic data for the District and its school buildings included a five year trend analysis of Adequate Yearly Progress (AYP) results from the 2007-08 through 2011-12 school years, Pennsylvania System of School Assessment results in Math and Reading for the "all students" group for the 2011-12 and 2012-13 school years, School Performance Profile scores for the 2012-13 school year, and federal accountability designations (i.e. Priority, Focus, Reward, and No Designation) for Title I schools for the 2012-13 school year. All of the academic data standards and results we examined originated with PDE.

- Ü Did the LEA’s Board and administration maintain best practices in overall organizational governance?
 - To address this objective, we surveyed the District’s current Board, conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.

- Ü Did the District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?
 - To address this objective, we reviewed the District’s procurement and contract monitoring policies and procedures. We obtained the District’s high volume vendor report for goods and services purchased during the 2013-14 school year. We randomly selected 4 out of 50 vendors for detailed testing. Testing included a review of the procurement documents to determine if any contracts were procured in accordance with the PSC and District policies. We also reviewed documents to determine if the District properly monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board’s Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts.

- Ü Did the LEA ensure that the membership data it reported in the Pennsylvania Information Management System was accurate, valid, and reliable?
 - To address this objective, we randomly selected 20 out of 1,841 total registered students (five resident, five non-resident, five intermediate unit, and five area vocational-technical schools) from the vendor software listing for the July 1, 2014 through June 30, 2015 school year and verified that each child was appropriately registered with the District. In addition, we randomly selected 2 out of 20 school terms reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template. We also tested all four of the high school students that had more than ten consecutive days of unexcused absences to verify that students are in fact removed from rolls or that the LEA is actively pursuing to determine the student’s status.

- Ü Did the District take appropriate actions to ensure it provided a safe school environment?
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, and anti-bullying policies.

- Ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws?⁴ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we selected 5 of the 13 bus drivers hired by the District from July 1, 2011 through February 5, 2015. Driver documentation was reviewed to ensure the District complied with bus drivers' requirements. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements.

⁴ 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*.

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

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter

Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

ⁱⁱⁱ Source: United States Census <http://www.census.gov/2010census>

^{iv} PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

^v PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a material weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

^{vi} In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

^{vii} SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

^{viii} *Id.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

^{ix} Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a significant deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.