

LIMITED PROCEDURES ENGAGEMENT

Hermitage School District
Mercer County, Pennsylvania

October 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Daniel Bell, Superintendent
Hermitage School District
411 North Hermitage Road
Hermitage, Pennsylvania 16148

Mr. Tim Kizak, Board President
Hermitage School District
411 North Hermitage Road
Hermitage, Pennsylvania 16148

Dear Dr. Bell and Mr. Kizak:

We conducted a Limited Procedures Engagement (LPE) of the Hermitage School District (District) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period July 1, 2012, through June 30, 2016, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code (72 P.S. §§ 402 and 403), but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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

- Did the District have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - The Right-to-Know Law
 - The Sunshine Act
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the District comply with the relevant requirements in the Right-to-Know Law and the Sunshine Act?
- Did the District take appropriate corrective action to address the findings and observation made in our prior audit?

Dr. Daniel Bell
Mr. Tim Kizak
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Our engagement found that the District properly implemented policies and procedures for the areas mentioned above and complied, in all significant respects, with relevant requirements.

We appreciate the District's cooperation during the conduct of the engagement.

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

October 13, 2017

cc: **HERMITAGE SCHOOL DISTRICT** Board of School Directors

Background Information

School Characteristics 2016-17 School Year ^A	
County	Mercer
Total Square Miles	29.47
Resident Population ^B	16,220
Number of School Buildings	4
Total Teachers	134
Total Full or Part-Time Support Staff	111
Total Administrators	10
Total Enrollment for Most Recent School Year	2,023
Intermediate Unit Number	4
District Vo-Tech School	Mercer County Career Center

A - Source: Information provided by the District administration and is unaudited.

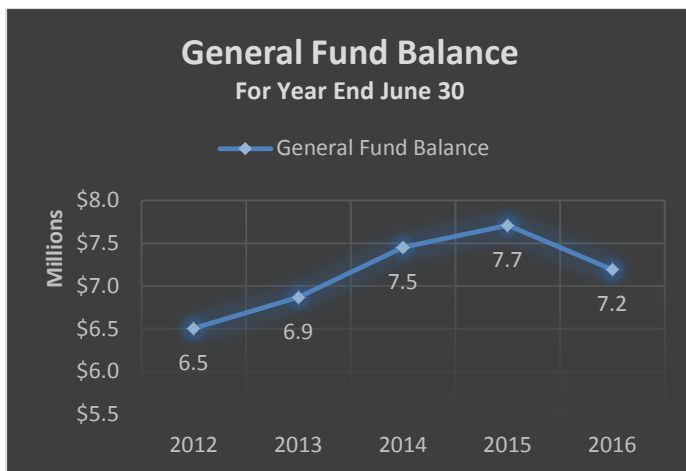
B - Source: United States Census
<http://www.census.gov/2010census>.

Mission Statement^A

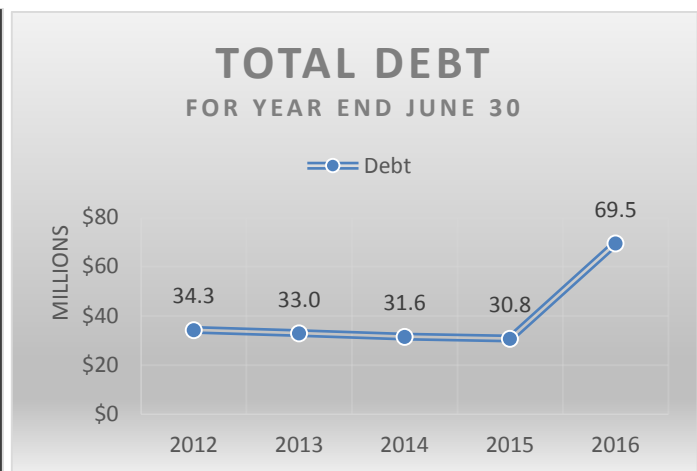
To educate our students to become motivated and responsible citizens. We will graduate students who are critical thinkers, effective problem solvers, strong communicators and creative individuals. Our students will use literacy, writing and technology as tools to contribute and compete in a diverse society.

Financial Information

The following pages contain financial information about the 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**.

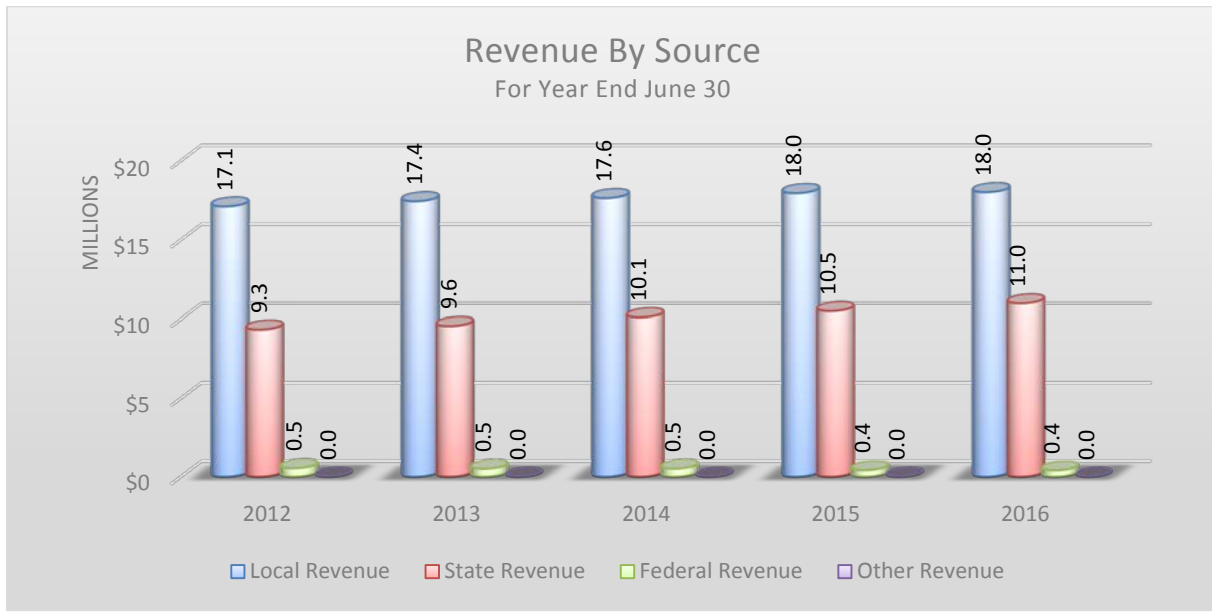
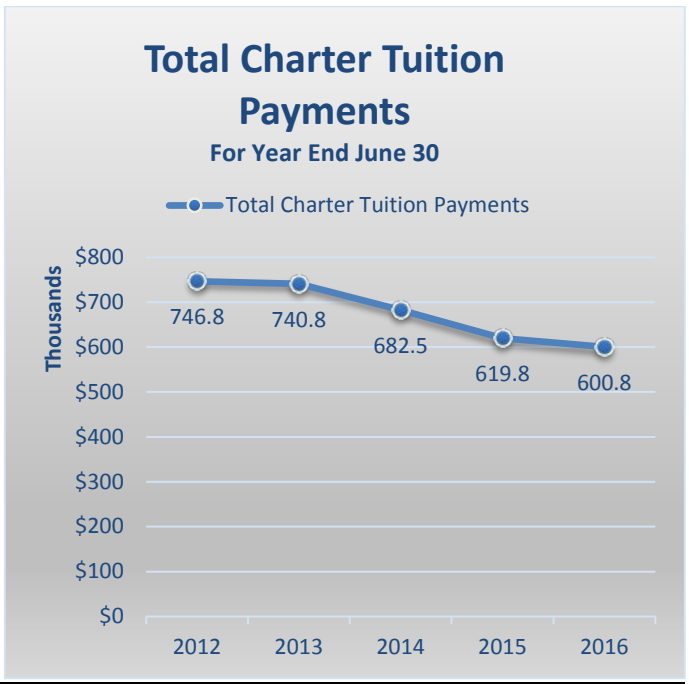
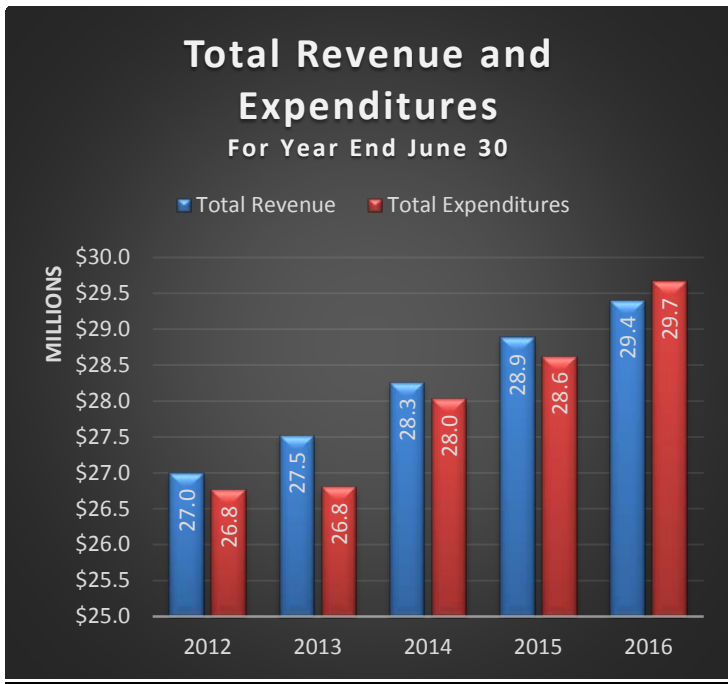


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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.

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.¹ These scores are provided in this 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.² 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.³

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.⁴ 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.

¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

² 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.

³ 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.

⁴ 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.⁵ 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?

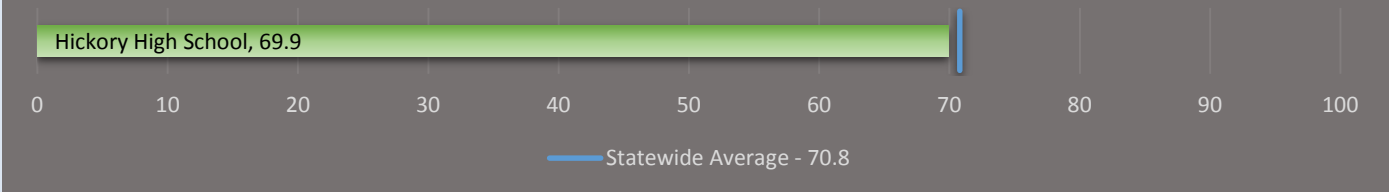
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student 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.⁶

⁵ 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).

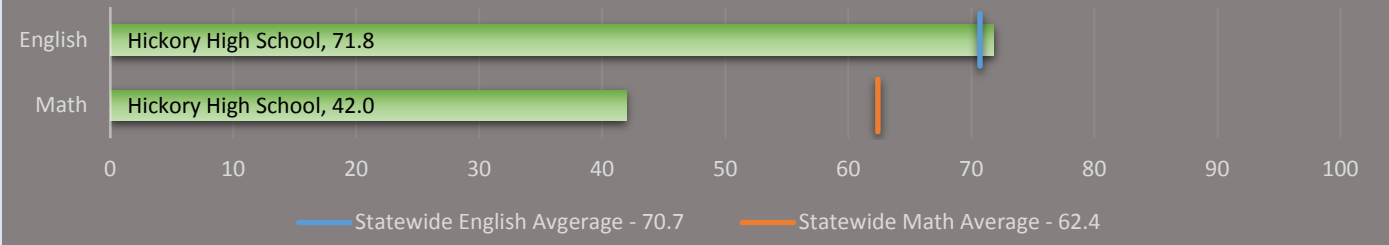
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

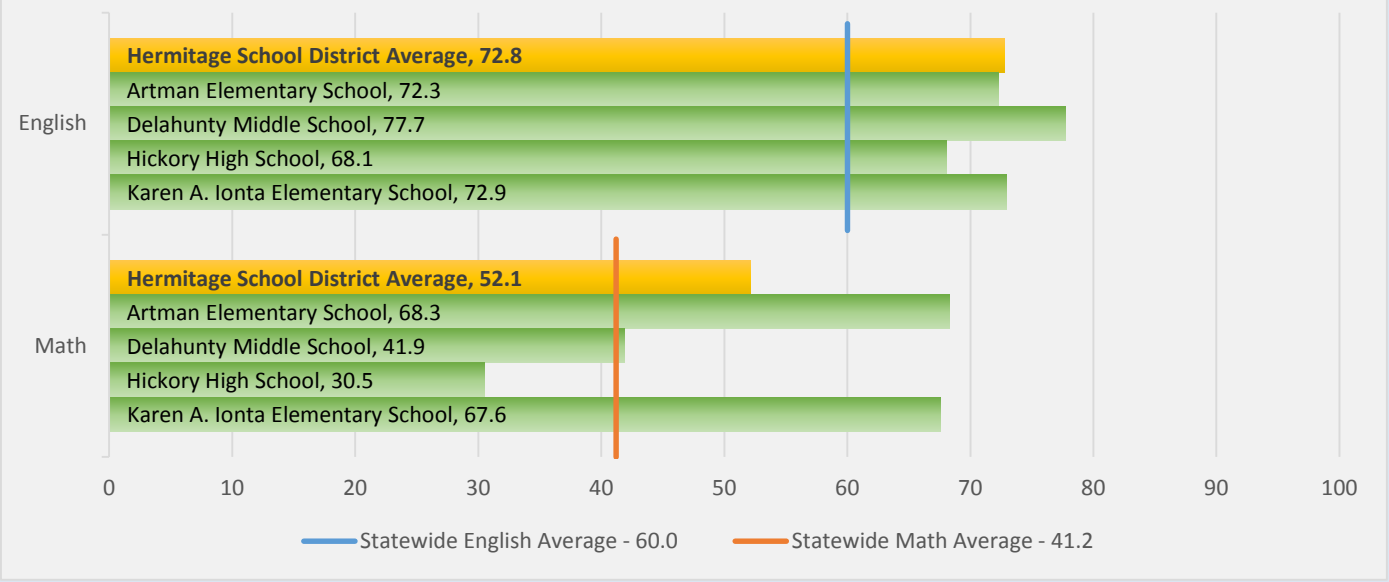
2014-15 SPP Scores



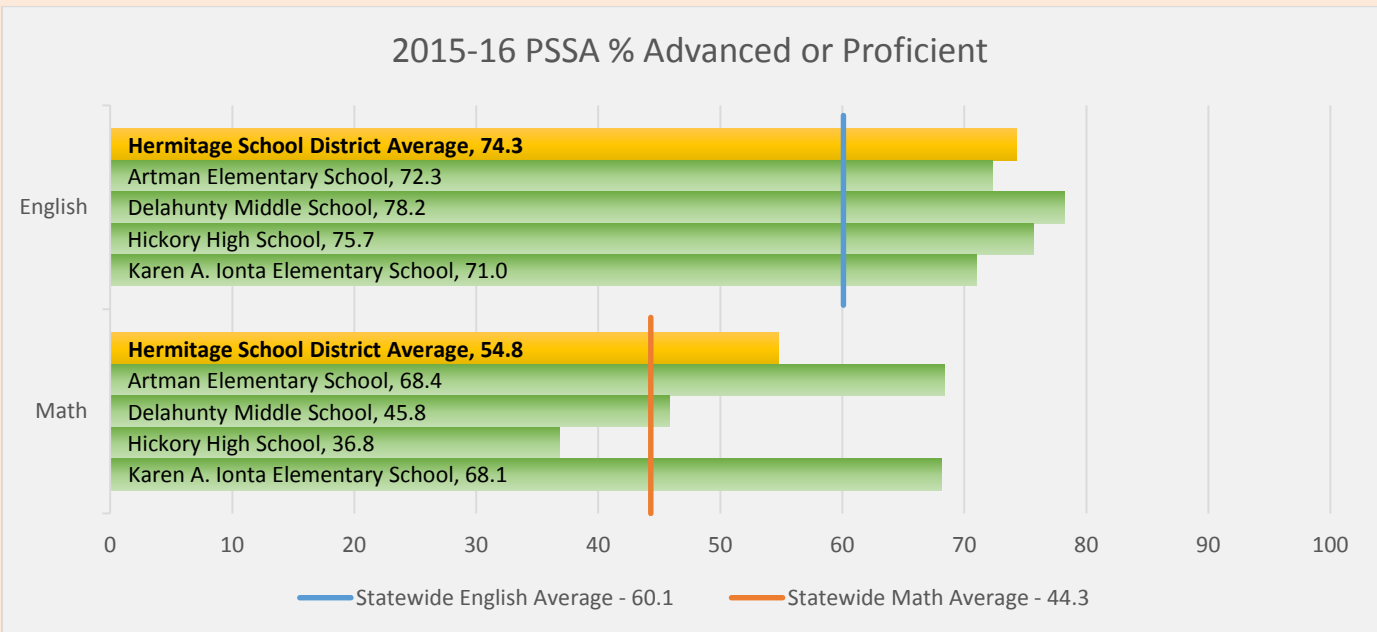
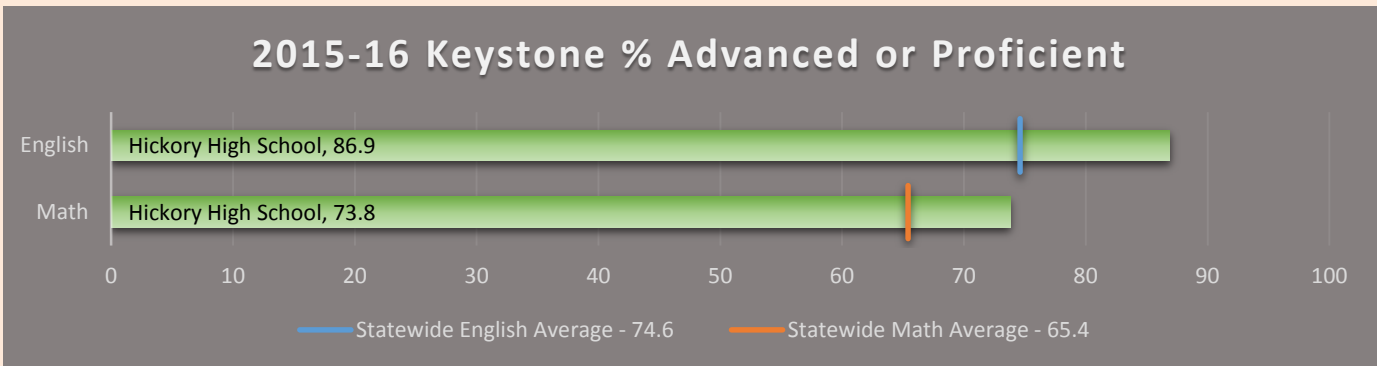
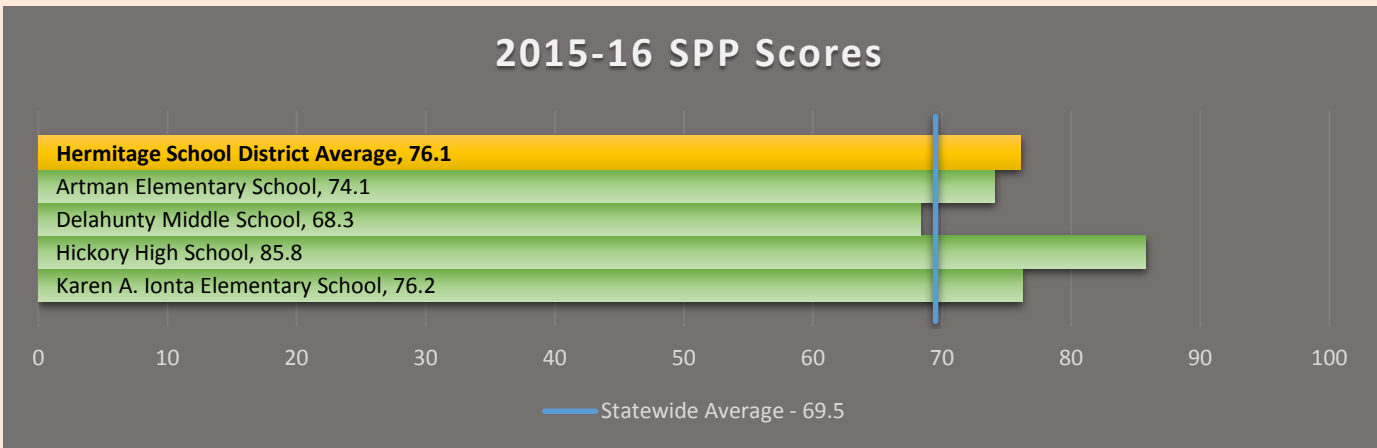
2014-15 Keystone % Advanced or Proficient



2014-15 PSSA % Advanced or Proficient

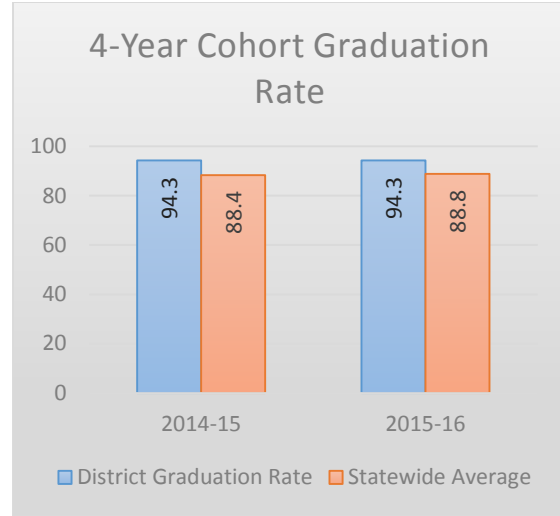


2015-16 Academic Data
School Scores Compared to Statewide Averages



4-Year Cohort Graduation Rates

The 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.⁷



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>.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on June 19, 2014, resulted in two findings and one observation, as shown below. As part of our current engagement, 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 PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on June 19, 2014

Prior Finding No. 1: Transportation Internal Control Weaknesses and Noncompliance with Pennsylvania Department of Education Reporting Instructions Resulted in a Questionable Reimbursement of \$84,700

Prior Finding Summary: During our prior audit of the District, we found noncompliance with the Public School Code (PSC) or PDE requirements in several areas of transportation reporting. Specifically, we found that District did not have documentation supporting the number of charter school and nonpublic students reported, as transported, to PDE for the 2010-11 and 2011-12 school years. The lack of supporting documentation prevented us from verifying the accuracy of the \$84,700 in reimbursement the District received for transporting charter school and nonpublic students.

Prior Recommendations: We recommended that the District should:

1. Require the transportation coordinator to establish appropriate nonpublic-charter school pupil policies and procedures to ensure that all transported students are documented and included on bus rosters as required.
2. Require administration and the transportation coordinator to review the Board's Pupil Transportation Program to ensure that it is in compliance with PDE instructions inclusive of mileage.
3. Require all contractors to provide monthly mileage tests on a stop-by-stop tenth of mile basis with driver signature and date.
4. Require all contractors to include student counts on their monthly mileage tests; mileage reports should be provided timely and not after the end of the school year.

5. Implement written procedures relating to the review and input of contractor submitted documentation to ensure propriety of information.
6. Review transportation reports submitted to PDE for years subsequent to those we audited and ensure the reported information is accurate and that supporting documentation is on file to support all data reported for each bus.
7. In conjunction with the District's solicitor, develop an appropriate Master Contract for special runs.
8. Require the transportation manager to work with other school districts to determine cost trends and perform the necessary negotiations with contractors to ensure that the quoted rates are the lowest available.

We also recommended that PDE should:

9. Withhold the nonpublic and charter school students' overpayment of \$84,700 from future transportation subsidies.
10. Determine if the District will be allowed to resubmit mileage information on the audit identified under reported vehicles for additional subsidy.

Current Status:

The District implemented our prior audit recommendations. Beginning in August 2016, the District began utilizing new transportation software. This new software allows the District to more accurately report the number of charter school and nonpublic students transported. Charter school and nonpublic students transported are now included on individual bus rosters, and the total number of students transported is automatically calculated.

On February 23, 2017, PDE deducted \$80,850 from the District's Basic Education Subsidy payment to correct the issues found in the prior audit.

Prior Finding No. 2: Failure to Have Established Internal Controls Relating to Contracted Bus Drivers' Credentials and Required Board Approval

Prior Finding Summary: During our prior audit of the District, we found several documentation discrepancies, with regard to compliance with state and federal reporting requirements.

Prior Recommendations: We recommended that the District should:

1. Implement procedures to ensure that the bus drivers list submitted for Board approval has been provided by the transportation coordinator and reviewed by administration to ensure propriety. Copies of associated resolutions should then be provided to the transportation coordinator for record.
2. Require the transportation coordinator to develop and maintain a bus driver list inclusive of hire and termination dates to ensure that driver's status is current and accurate to avoid future clearance exceptions.
3. Develop policies and procedures to ensure that drivers recommended by the contractor have credentials that are in accordance with the PSC and that clearances other than "no record" are presented to administration for determination of acceptability.
4. Require the transportation coordinator to establish procedures to ensure that all drivers' credentials are maintained current.
5. Review board policies to ensure that contractors are not allowed to utilize any driver in the transportation of students prior to the obtaining of all required credentials, the submission of the credentials to the District for review, and receipt of verification that the driver has been properly reviewed and Board approved to transport students.

Current Status:

During our current audit, we found that the District implemented our prior recommendations. School Board Policy No. 810; *Transportation* and No. 810.1; *Employment of School Bus Drivers (by Subcontract)* were revised April 20, 2015, ensuring that no driver is permitted to drive for the Hermitage School District until they has been approved by the Board. The District also implemented a "bus driver list" to track and maintain "current credentials" for each driver. The list was completed by August 2014, inclusive of hire and termination dates. Based on a review of the issues noted in the prior audit in regard to missing credentials, we determined that all required documentation is now on file.

Prior Observation: The Hermitage School District Lacks Sufficient Internal Controls Over Its Student Record Data

Prior Observation Summary:

During our prior audit of the District, we found that District personnel were unfamiliar with available the Pennsylvania Information Management System (PIMS) reports and could not provide requested year-end summary reports. Subsequently, this information was obtained from PDE. Neither the business office personnel nor the child accounting coordinator were familiar with the various reports available in PIMS; and as a result, there was no reconciliation of the Commonwealth-paid tuition for nonresident membership data uploaded in PIMS. No reconciliation of revenue to membership data reported had occurred since PDE's conversion to PIMS in the 2009-10 school year.

Prior Recommendations: We recommended that the District should:

1. Contact PDE for assistance in data corrections and the balancing of foster students' tuition subsidy.
2. Develop procedures requiring an annual reconciliation of internal controls and PIMS reported tuition for orphans and children placed in private homes.
3. Develop an internal control procedure requiring the periodical review of PIMS reports to ensure that all data is properly accounted for and the associated revenue impact is recognized.
4. Implement procedures to ensure that communication is maintained between personnel in the information technology department, child accounting department, and in the business office.
5. Ensure that the District personnel attend PIMS' conferences and seminars to stay abreast of reporting requirements and disseminate information to the business office, when appropriate.
6. Establish procedures for verification of other institutions' reported nonresident membership data to identify the student and the validity of the reported data.

We also recommended that PDE should:

7. Provide the District assistance in reconciling their nonresident subsidy received in the 2010-11 and 2011-12 school years.

8. Determine the accuracy of the District's requested nonresident membership changes especially those involving the Auditor General's prior audit.

Current Status:

During our current audit, we found that the District implemented our recommendations. District personnel attend PIMS' conferences and seminars to stay abreast of reporting requirements and disseminate information to the business office, when appropriate. Additionally, the District has developed procedures; *Reconciling Tuition for Orphans Subsidy*, for an annual reconciliation of internal records and PIMS reported tuition for orphans and children placed in private homes. These procedures also require that all data is properly accounted for and the associated revenue impact is recognized, and verify other institutions' reporting of nonresident membership data to identify the student and the validity of the reported data. Communication is maintained between personnel in the information technology department, child accounting department, and in the business office.

Distribution List

This letter 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 Joe Torsella

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. Nathan Mains

Executive Director
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050

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