

PERFORMANCE AUDIT

Lakeland School District Lackawanna County, Pennsylvania

January 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

Mr. R. Scott Jeffery, Superintendent
Lakeland School District
1355 Lakeland Drive
Scott Township, Pennsylvania 18433

Mrs. Mary Retzbach, Board President
Lakeland School District
1355 Lakeland Drive
Scott Township, Pennsylvania 18433

Dear Mr. Jeffery and Mrs. Retzbach:

We have conducted a performance audit of the Lakeland School District (District) for the period July 1, 2012, through June 30, 2015, 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:

- Contracting
- Administrator Contract Buy-out
- Data Integrity (Student Membership)
- Bus Driver Requirements
- School Safety
- Professional Certification

The audit was conducted pursuant to Section 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 continuation of a condition in one of the findings from the prior audit. This is discussed in the Status of Prior Audit Findings and Observations section of this report.

Mr. R. Scott Jeffery
Mrs. Mary Retzbach
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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

January 12, 2017

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

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Background Information

School Characteristics 2015-16 School Year ^A	
County	Lackawanna
Total Square Miles	66.2
Resident Population ^B	12,097
Number of School Buildings	3
Total Teachers	107
Total Full or Part-Time Support Staff	145
Total Administrators	11
Total Enrollment for Most Recent School Year	1,483
Intermediate Unit Number	19
District Vo-Tech School	Career Technology Center of Lackawanna County

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

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

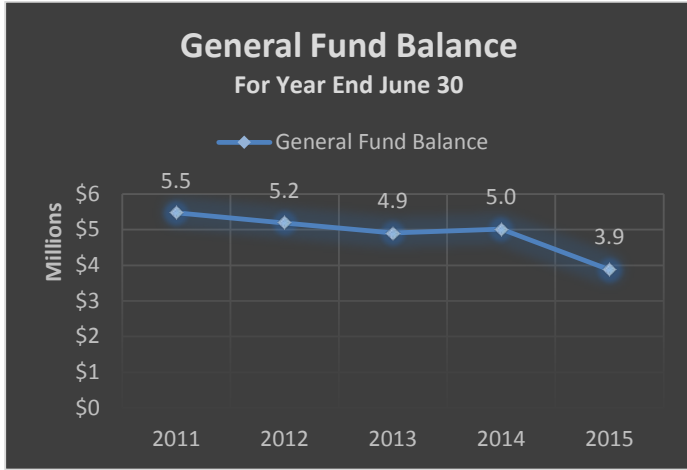
Mission Statement^A

Mission Statement: Our mission is to be an advocate of change and self-sustaining leader of education. We will prepare our students to be productive, responsible citizens by promoting a community oriented school that encourages a passion for learning, fostering individual relationships and providing a safe environment which supports individual differences. Our students will exceed academic challenges with openness, enthusiasm and a willingness to solve problems.

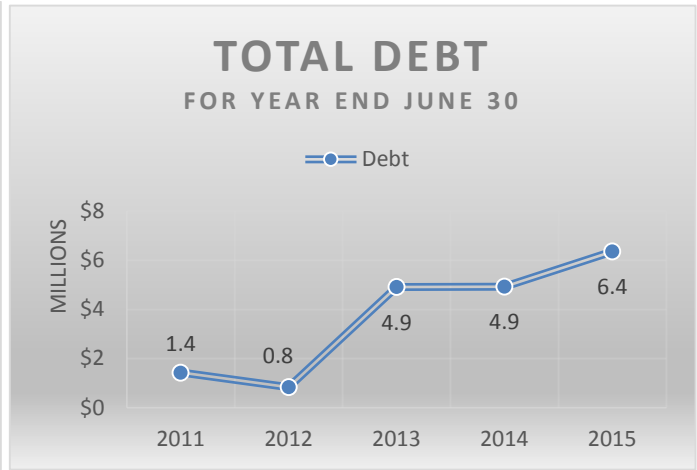
Vision Statement: For all shareholders to be committed to excellence for the district and enable students to realize their life choices by preparing them for college and/or the work force. Students, parents, teachers, staff, administrators, and community must all be in accord of this vision for it to be realized. Lakeland recognizes that when individuals commit to excellence, their commitment serves the greater good and all will benefit.

Financial Information

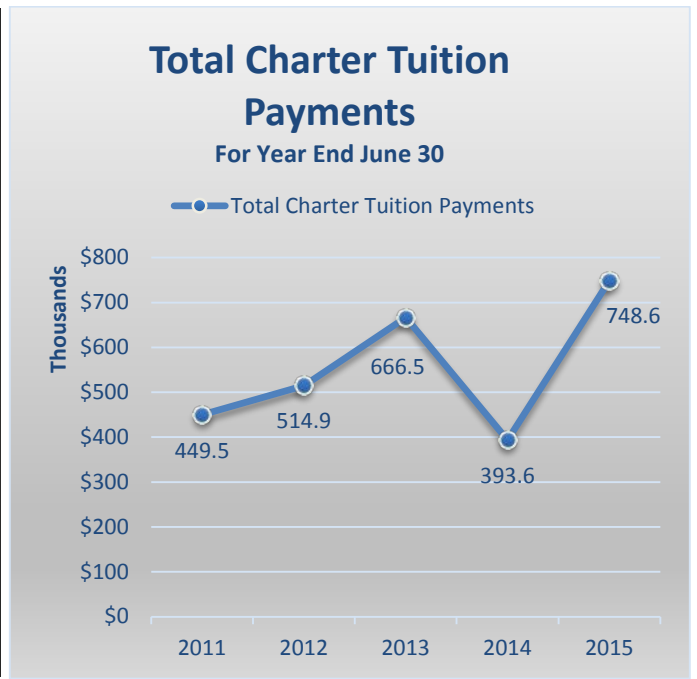
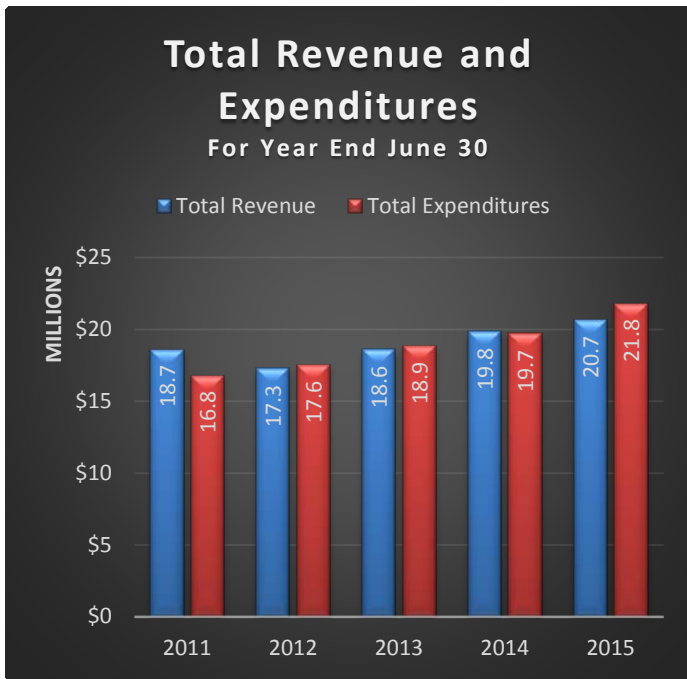
The following pages contain financial information about the District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.



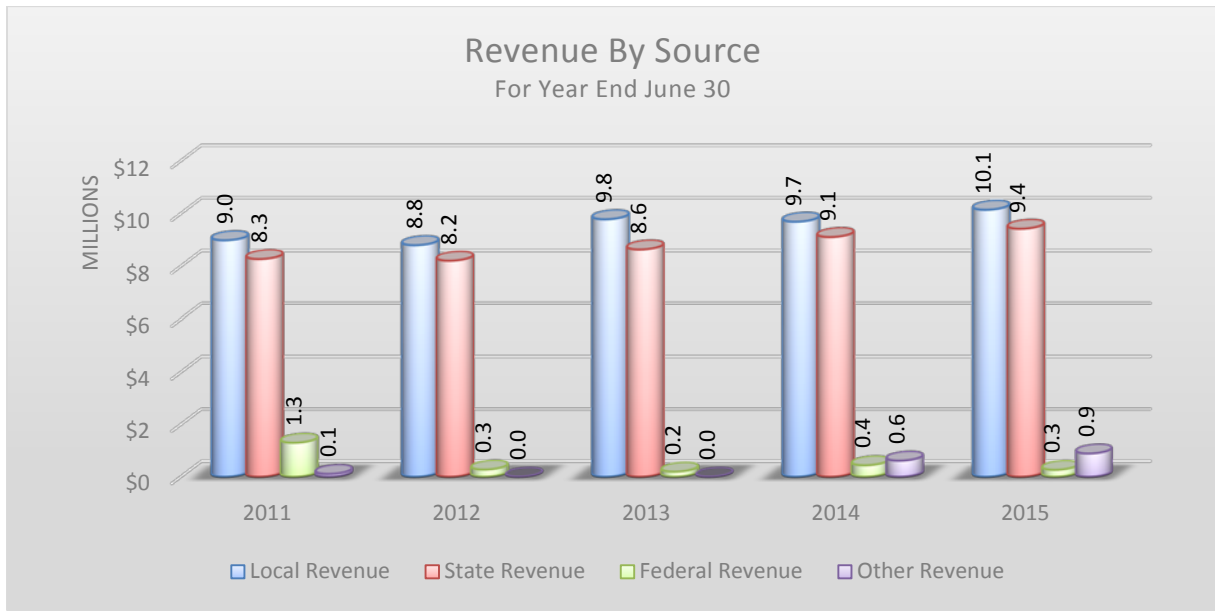
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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



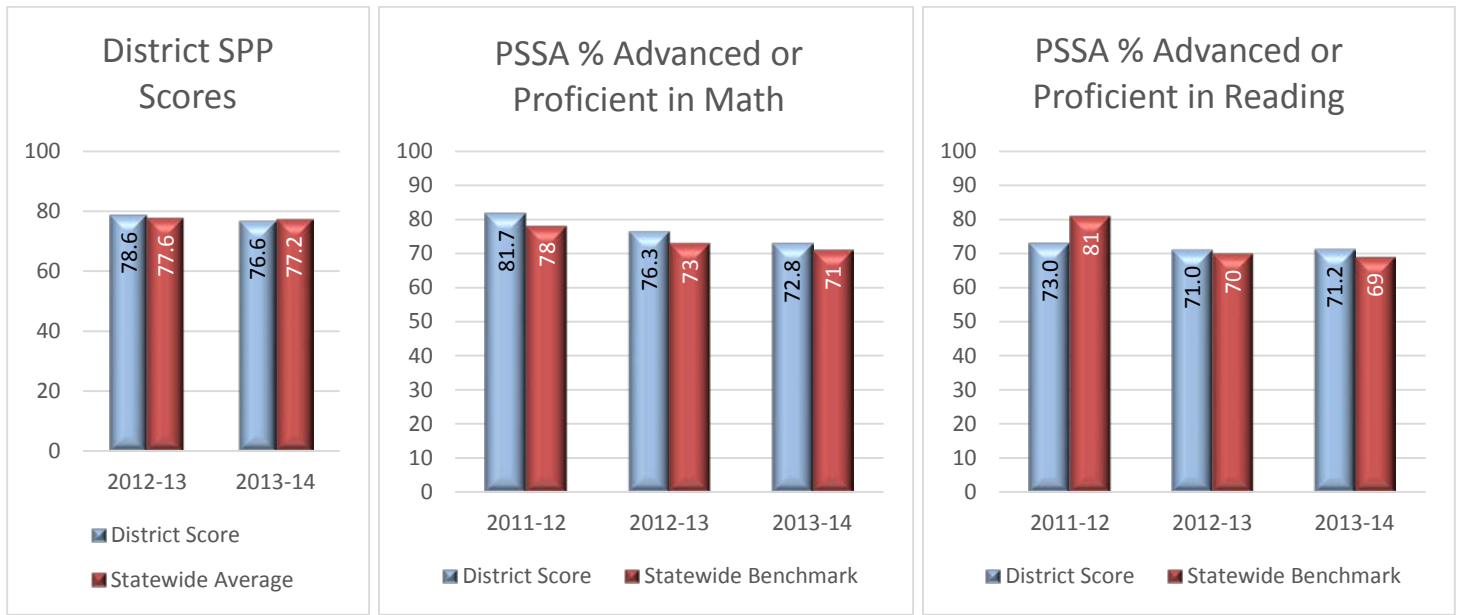
Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.¹ These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.² PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.³ District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Lakeland SD</i>	78.6	76.6	81.7	76.3	72.8	73.0	71.0	71.2
<i>SPP Grade⁴</i>	C	C						



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 Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

³ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. 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 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁴ The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

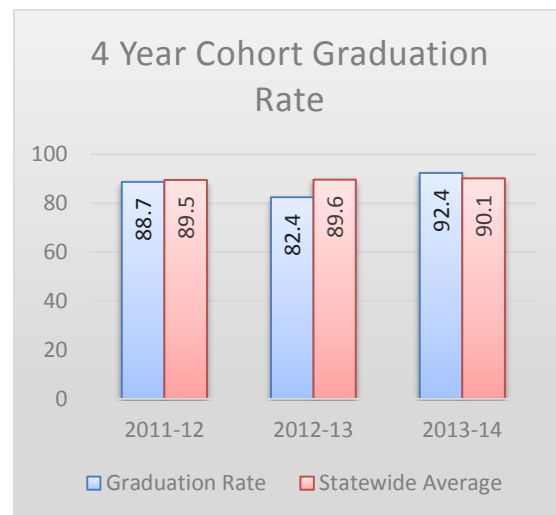
Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District's school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.⁵

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Lakeland Elementary School</i>	89.6	77.7	85.8	85.5	82.5	78.9	73.9	70.5
<i>Lakeland Junior Senior High School</i>	71.2	75.4	67.9	67.5	67.2	68.6	69.2	74.5
<i>Mayfield Elementary School</i>	75.1	76.8	91.3	75.8	68.7	71.5	69.9	68.5

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.⁶



⁵ PDE's data does not provide any further information regarding the reason a score was not published.

⁶ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

Finding(s)

For the audited period, our audit of the District resulted in no findings.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on June 5, 2014, resulted in two findings, 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 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 5, 2014

Prior Finding No. 1: Pupil Transportation Errors Resulted in an Underpayment in Subsidies and Reimbursements of \$86,183

Prior Finding Summary: Our prior audit found student transportation records submitted by the District to PDE had reporting errors that resulted in an underpayment of transportation reimbursement to the District totaling \$86,183 for the 2008-09 school year.

Prior Recommendations: We recommended that the District should:

1. Perform an internal review of transportation reports prior to submission to PDE to ensure the accuracy of the reported data.
2. Review subsequent years' transportation reports, and if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

3. Adjust the District's future allocations to resolve the reimbursement underpayment of \$86,183 for the 2008-09 school year.

Current Status: During our current audit, we found the District did implement our prior recommendations. Procedures were put in place to perform internal review of transportation reports prior to submission to PDE. The District also reviewed subsequent years' transportation reports to ensure accuracy. On January 13, 2016, the District received the reimbursement underpayment of \$86,183.

Prior Finding No. 2: Errors in Student Data Reporting Resulted in an Underpayment of \$56,150

Prior Finding Summary: Our prior audit of student membership reports submitted by the District to PDE for the 2008-09, 2009-10, 2010-11, and 2011-12 school years found reporting errors for students placed in private homes (foster children) during the 2009-10 and 2011-12 school years. The errors resulted in an underpayment of \$14,833 for the 2009-10 school year and an underpayment of \$41,317 for the 2011-12 school year.

Prior Recommendations: We recommended that the District should:

1. Strengthen controls to ensure student membership is reported in accordance with PDE guidelines and instructions.
2. Compare letters for foster children with District reports to ensure that student membership is properly classified.
3. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
4. Review prior and subsequent year reports and, if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

5. Adjust the District's allocations to resolve the underpayment of \$14,833 for the 2009-10 school year and \$41,317 for the 2011-12 school year.

Current Status: During our current audit, we found the District did not implement our recommendations from the prior audit report, which was released on June 5, 2014. PDE did implement our prior recommendation and reimbursed the District \$53,441 of the \$56,150 we calculated. Due to the District not implementing our prior recommendations, we performed procedures to determine the accuracy of student membership for the 2012-13, 2013-14, and 2014-15 school years.

Our testing revealed student membership errors for 13 different foster children during the review period. The result of these errors was that the District was underpaid a total of \$91,481 (see table below).

Lakeland SD Student Membership		
School Year	Incorrect Membership Days Reported	Underpayment/ (Overpayment)
2012-13	571	\$22,762
2013-14	900	\$42,717
2014-15	568	\$26,002
Total:	2,039	\$91,481

We again recommend the District take corrective action based on the recommendations noted in the prior audit finding. In particular, District personnel should review school year membership data for similar errors, beginning with the 2015-16 school year, and submit revised reports to PDE. We also recommend PDE pay the District the subsidy underpayments totaling \$91,481.

The District stated that they are aware of the internal control deficiencies that exist with student membership. We are pleased that the District is addressing these issues by centralizing the student enrollment process and completing a step-by-procedures for this process.

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 402 and 403 of the Fiscal Code,⁷ 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, 2015. 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 controls⁸ 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.

⁷ 72 P.S. §§ 402 and 403.

⁸ 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, financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's financial statements for the fiscal years ending June 30, 2012, through June 30, 2015. 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:

- Contracting
- Administrator Contract Buy-out
- Data Integrity (Student Membership)
- Bus Driver Requirements
- School Safety
- Professional Certification

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 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 a list of vendors with contracts, for goods and services which were purchased by the District in excess of \$20,000 and that were in effect for the 2014-15 school year. We randomly selected 8 out of the 24 contracts for detailed testing. Testing included a review of the procurement documents to determine if the contract was procured in accordance with the Public School Code 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 of School Directors' Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contracts contain adequate termination provisions?

- To address this objective, we reviewed the contract, administrative compensation plan, board meeting minutes, leave data, and payroll records for the only administrator who separated from employment with the District from July 1, 2012, through June 30, 2015. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District correctly report student membership data to PDE? Did the District receive the correct reimbursement for nonresident students?
 - To address this objective, we reviewed documentation related to all of the District's nonresident students reported to PDE during the 2012-13, 2013-14, and 2014-15 school years. We reviewed a variety of documentation including foster student placing agency letters, district student membership reports, and annual tuition rate calculations to ensure the District accurately reported these students to PDE. In addition, we calculated the reimbursement due to the District for nonresident students. The results of our review of this objective is discussed in the Status of Prior Audit Findings and Observations section of this report.
- ✓ 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?⁹ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we randomly selected 5 of the 14 bus drivers who were hired by the District's bus contractors from July 1, 2013, through November 16, 2016. We reviewed documentation to ensure the District complied with bus driver's 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. Our review of this objective did not disclose any reportable issues.
- ✓ 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. Due to the sensitive nature of school safety, the results for our review of this 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, with PDE.

⁹ 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.

- ✓ Did the District take appropriate actions to ensure all teachers and administrators are properly certified for their positions held?
 - To address this objective, we reviewed board meeting minutes from July 1, 2012, through August 17, 2016, and reviewed the District's 2016-17 professional personnel listing as of November 15, 2016. We identified 54 teachers and administrators with Level I or temporary certifications. We randomly selected 50 percent or 27 teachers and administrators with Level I/temporary certifications for our review. We determined whether these individuals were properly certified for their position. Our review of this objective did not disclose any reportable issues.

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. Nathan Mains

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

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.