

# PERFORMANCE AUDIT

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## Lebanon School District Lebanon County, Pennsylvania

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August 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Arthur Abrom, Superintendent  
Lebanon School District  
1000 South 8th Street  
Lebanon, Pennsylvania 17042

Mr. Peter N. Pyles, Jr., Board President  
Lebanon School District  
1000 South 8th Street  
Lebanon, Pennsylvania 17042

Dear Dr. Abrom and Mr. Pyles:

We have conducted a performance audit of the Lebanon 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
- Data Integrity
- Contracting
- 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 Students Transported Resulting in an Overpayment of \$7,700

Dr. Arthur Abrom  
Mr. Peter N. Pyles, Jr.  
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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

August 24, 2017

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

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## Background Information

School Characteristics 2015-16 School Year <sup>A</sup>	
County	Lebanon
<b>Total Square Miles</b>	4.5
<b>Resident Population<sup>B</sup></b>	25,500
<b>Number of School Buildings</b>	7
<b>Total Teachers</b>	279
<b>Total Full or Part-Time Support Staff</b>	235
<b>Total Administrators</b>	15
<b>Total Enrollment for Most Recent School Year</b>	4,947
<b>Intermediate Unit Number</b>	13
<b>District Vo-Tech School</b>	Lebanon County Career & Technology Center

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

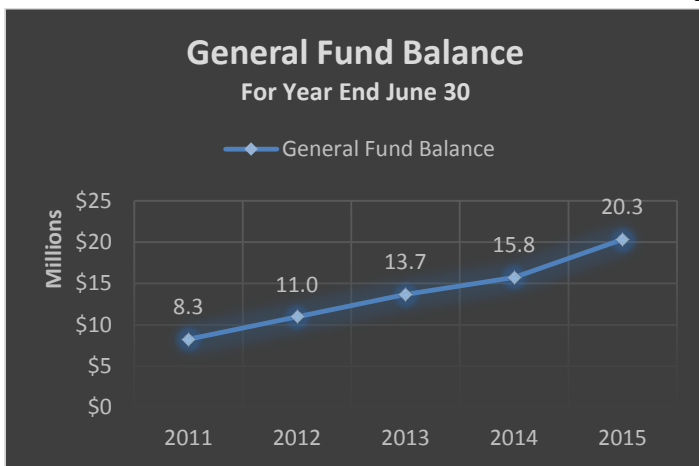
B - Source: United States Census <http://www.census.gov/2010census>.

## Mission Statement<sup>A</sup>

Building on our tradition of educational excellence, the mission of the Lebanon School District is to challenge students to continually develop skills as lifelong learners and responsible citizens.

## 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**.

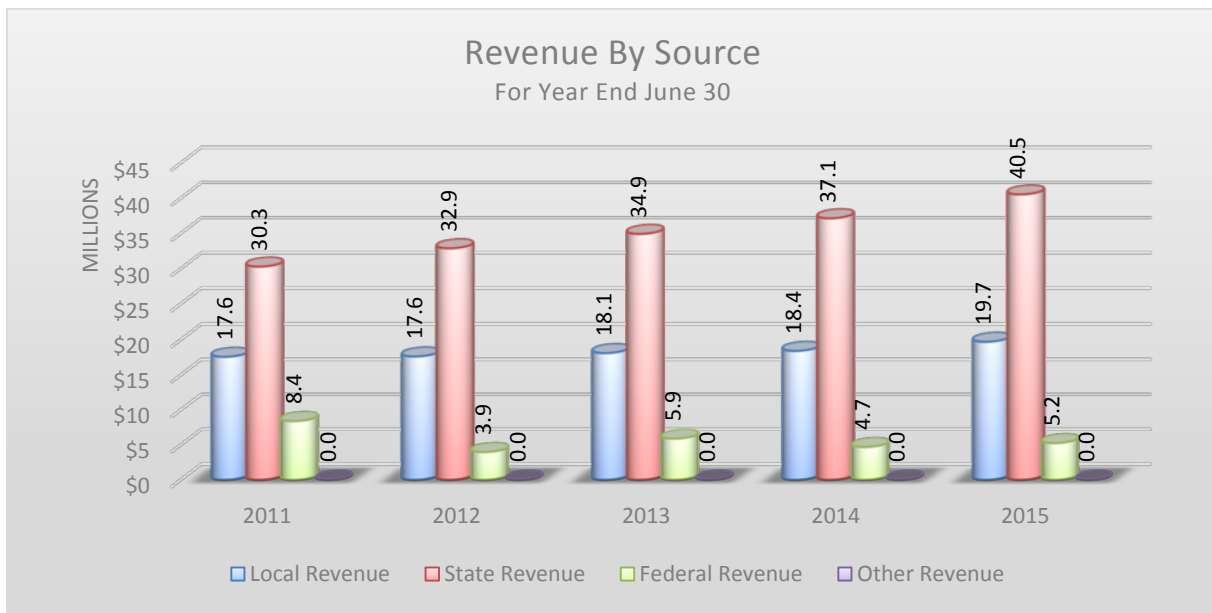
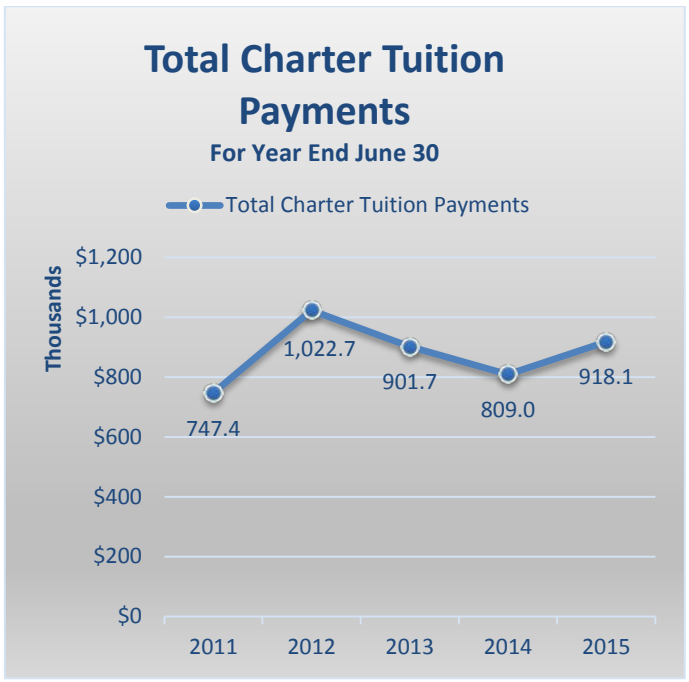
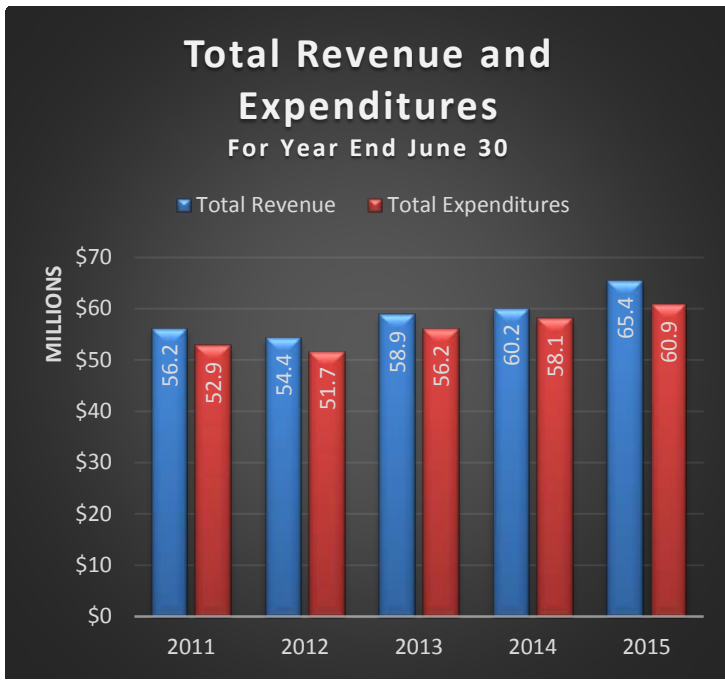


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**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



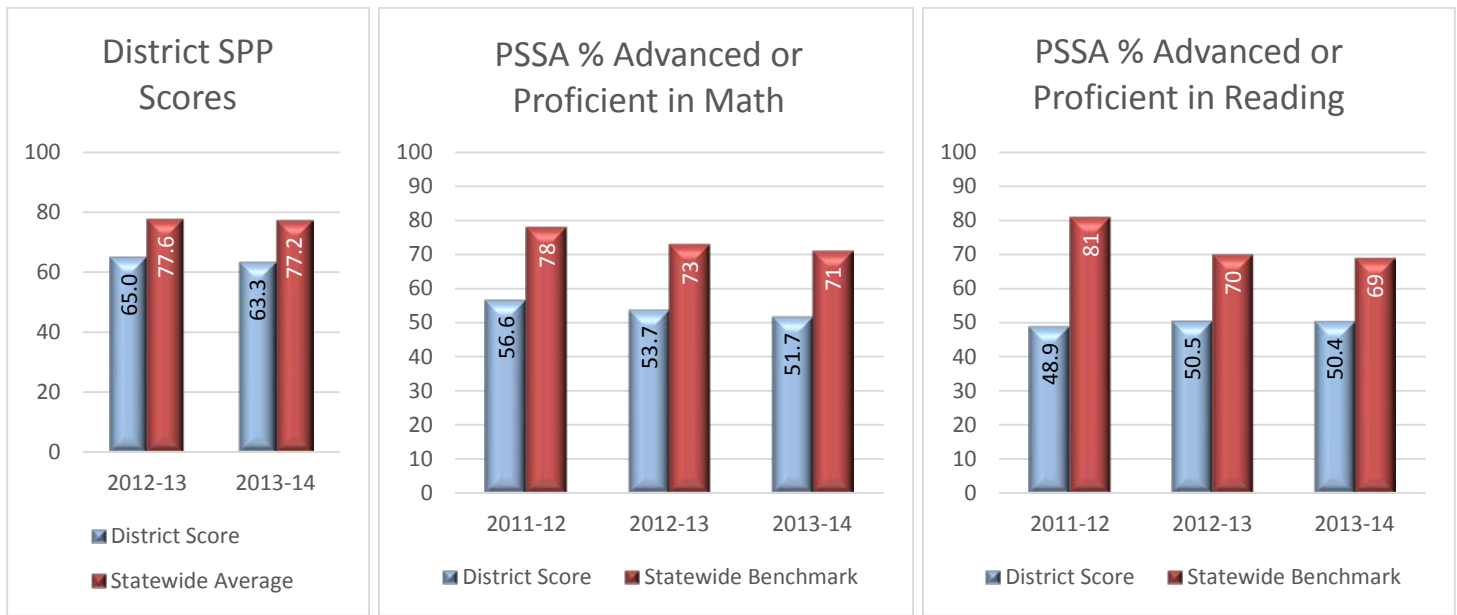
## Academic Information

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.<sup>1</sup> 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.<sup>2</sup> PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.<sup>3</sup> 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>Lebanon SD</i>	65.0	63.3	56.6	53.7	51.7	48.9	50.5	50.4
<i>SPP Grade<sup>4</sup></i>	<b>D</b>	<b>D</b>						



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

<sup>2</sup> Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

<sup>3</sup> 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.

<sup>4</sup> 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).

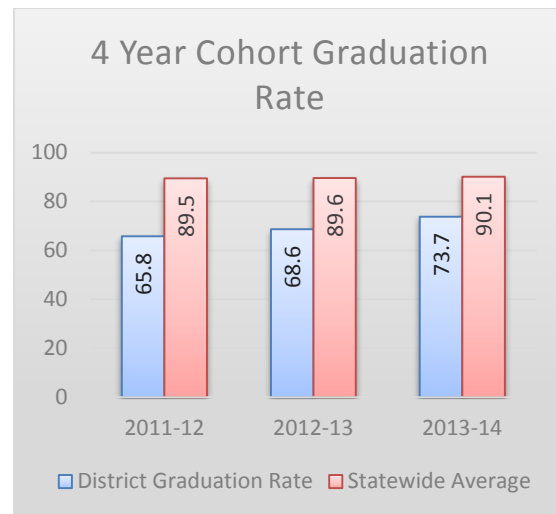
## Individual School Building SPP and PSSA Scores

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.<sup>5</sup>

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
<b>Statewide Benchmark</b>	<b>77.6</b>	<b>77.2</b>	<b>78</b>	<b>73</b>	<b>71</b>	<b>81</b>	<b>70</b>	<b>69</b>
<i>Harding Elementary School</i>	<b>61.8</b>	<b>65.8</b>	<b>56.7</b>	<b>51.3</b>	<b>51.6</b>	<b>50.6</b>	<b>50.4</b>	<b>51.6</b>
<i>Houck Elementary School</i>	<b>79.8</b>	<b>83.9</b>	<b>73.6</b>	<b>68.8</b>	<b>67.9</b>	<b>58.8</b>	<b>56.1</b>	<b>64.9</b>
<i>Lebanon Middle School</i>	<b>66.2</b>	<b>53.8</b>	<b>58.1</b>	<b>57.7</b>	<b>49.3</b>	<b>45.9</b>	<b>42.2</b>	<b>45.2</b>
<i>Lebanon Senior High School</i>	<b>59.4</b>	<b>54.5</b>	<b>33.9</b>	<b>36.7</b>	<b>41.0</b>	<b>37.8</b>	<b>56.4</b>	<b>59.5</b>
<i>Northwest Elementary School</i>	<b>54.0</b>	<b>53.2</b>	<b>45.8</b>	<b>46.4</b>	<b>41.8</b>	<b>37.4</b>	<b>38.1</b>	<b>31.0</b>
<i>Southeast Elementary School</i>	<b>61.1</b>	<b>60.5</b>	<b>63.3</b>	<b>52.9</b>	<b>51.7</b>	<b>54.2</b>	<b>54.3</b>	<b>51.4</b>
<i>Southwest Elementary School</i>	<b>72.8</b>	<b>71.2</b>	<b>65.1</b>	<b>62.1</b>	<b>58.8</b>	<b>57.9</b>	<b>56.3</b>	<b>49.3</b>

## 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.<sup>6</sup>



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

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



## Finding

### Finding

### The District Incorrectly Reported the Number of Nonpublic Students Transported Resulting in an Overpayment of \$7,700

*Criteria relevant to the finding:*

#### Supplemental Transportation Subsidy for Nonpublic Students

Section 2509.3 of the Public School Code (PSC), 24 P.S. § 25-2509.3, provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported.

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

#### Annual Filing Requirement

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

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.

The District was overpaid \$7,700 in transportation reimbursement from PDE. This overpayment was due to the District incorrectly reporting the number of nonpublic students transported by the District during the 2013-14 school year.

According to the Public School Code (PSC), a nonpublic school is defined, in part, as a nonprofit school other than a public school within the Commonwealth.<sup>7</sup> 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, 2014-15, and 2015-16 school years found that the District double-counted 20 nonpublic students transported for the 2013-14 school year. We found that the District reported nonpublic students transported accurately in the 2012-13, 2014-15, and 2015-16 school years.

The following chart summarizes the District's nonpublic student reporting errors made in the 2013-14 school year and the resulting cumulative overpayment.

Lebanon School District Cost of Over Reporting Nonpublic Students				
School Year	Nonpublic Students Reported by District	Nonpublic Students Audited Total	Students Over Reported	Overpayments <sup>8</sup>
2013-14	82	62	20	\$7,700

<sup>7</sup> See Section 922.1-A(b) (pertaining to "Definitions") of the PSC, 24 P.S. § 9-922.1-A(b).

<sup>8</sup> 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.

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 other than the person who prepared the data, in order to identify errors prior to submission to PDE. This type of review would have helped to identify the double counting of nonpublic students. Since the accuracy of data is key to ensuring that the District receives the appropriate transportation subsidies, the District should establish written administrative procedures to help ensure the proper reporting of transportation data.

We provided PDE with a discrepancy report detailing the errors for the 2013-14 school year to assist PDE in verifying the overpayment and reducing the District's future transportation subsidy by the amount of the overpayment.

### **Recommendations**

The *Lebanon School District* should:

1. Continue to conduct year-end reconciliations of the nonpublic school's student lists to the District's nonpublic school student lists as part of the procedures to provide assurance of the accuracy of the reporting of nonpublic students who were transported.
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.
3. Develop written administrative procedures for transportation operations. These procedures should include a review of transportation data by an individual other than the person who prepared the data to ensure accuracy before submission to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's allocation to recover the overpayment of \$7,700 resulting from the incorrect reporting of transportation data for the 2013-14 school year.

## **Management Response**

The Lebanon School District agrees with this finding, and we accept that this was a clerical error in the submission of the 2013-2014 report. We are also in agreement with the amount of \$7,700 as overpayment.

The Business Manager accepts full responsibility, since this clerical error was not caught during his review prior to the report being signed and submitted even though the documentation clearly listed the nonpublic students by name and a simple recounting of the students would have caught the error. No corrective action except the refunding of the overpayment is required, since the documentation existed to validate the error and document the overpayment. It should be noted that the other three years of the reports covering this audit were accepted and the State Auditors onsite commented that the District maintains excellent documentation and a process to accurately submit for transportation reimbursement.

## **Auditor Conclusion**

We are pleased that the District agrees with our finding and that they were overpaid. We continue to recommend that the District develop formal administrative procedures regarding the reporting of transportation data, which could be essential in the event of key staff turnover. We also continue to recommend that these procedures include a review of transportation data by an individual other than the person who prepared the data.

## Status of Prior Audit Findings and Observations

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Our prior audit of the District released on May 28, 2013, 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 interviewed District personnel and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on May 28, 2013

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#### **Prior Finding No. 1: Certification Deficiencies**

Prior Finding Summary: During our prior audit of the District's professional employees' certification and assignments for the period July 1, 2008, through August 7, 2012, we found one individual, who was employed as an elementary special education teacher, did not have proper certification during the 2011-12 school year.

Prior Recommendations: The *Lebanon School District* should:

Ensure all professional employees have current certificates and require them to obtain the required certification for the position in which they would be employed.

The *Pennsylvania Department of Education* should:

Take action to recover any subsidy forfeiture that may be levied.

Current Status: The District addressed our recommendation listed in our prior audit report. The individual identified in the previous audit who lacked proper certification obtained the required certification. We reviewed the District's personnel listing for the 2016-17 school year and found that all professional employees had the required certification needed for their assigned position. On December 26, 2013, PDE made a Basic Education Subsidy adjustment in the amount of \$591 for the certification deficiency identified in the previous audit.

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#### **Prior Finding No. 2: Memorandum of Understanding with Local Law Enforcement Not Updated Timely**

Prior Finding Summary: During our prior audit, we found that the Memorandum of Understanding (MOU) between the District and the local law enforcement agencies with jurisdiction over school property had not been updated since June 2010. The District provided an updated MOU, dated June 15, 2012, but it was not signed by all parties until

August 13, 2012. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement agencies every two years.

Prior Recommendations: We recommended that the District should:

1. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended safe schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with local law enforcement agencies that have jurisdiction over school property.

Current Status:

The District addressed one of our recommendations made in the previous audit. The District provided a current MOU signed in April 2017. The District did not adopt an official board policy requiring the District to biennially update and re-execute all MOUs with local law enforcement agencies. We continue to recommend that the District adopt this type of board policy.

## **Appendix: Audit Scope, Objectives, and Methodology**

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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 Sections 402 and 403 of The Fiscal Code,<sup>9</sup> 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 District's management is responsible for establishing and maintaining effective internal controls<sup>10</sup> 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.

### **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.

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<sup>9</sup> 72 P.S. §§ 402 and 403.

<sup>10</sup> 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.

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
- Data Integrity
- Contracting
- 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:

- ✓ Was student data for transportation services accurately reported by the District to PDE? Did the District receive the correct amount of transportation reimbursement from the Commonwealth?
  - To address this objective, we reviewed the transportation data reported to PDE for the 2012-13, 2013-14, 2014-15, and 2015-16 school years to determine the accuracy of the number of nonpublic students transported by the District and reported to PDE. We reviewed bus rosters and other supporting documentation to determine if all nonpublic students transported by the District were accurately reported to PDE and that the District was receiving the correct subsidy for these students. See the Finding beginning on page 5 for the results of our review of this objective.
- ✓ Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?<sup>11</sup>
  - To address this objective, we reviewed documentation for both of the nonresident foster students reported by the District to PDE during the 2012-13 school year. We reviewed the District's child accounting records, Pennsylvania Information Management System (PIMS) summary records, determination of residency forms, and agency placement letters. We determined whether membership was accurately coded in PIMS and accurately reported to PDE. We determined if the District received the correct amount of subsidies and reimbursements from PDE based on the District's reported student membership data. Our review of this objective did not disclose any reportable issues.

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<sup>11</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- ✓ 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 who provided goods and services to the District during the 2015-16 school year that exceeded \$20,000. We haphazardly selected 4 of the 62 vendors on the list 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 and interviewed District personnel to determine if the District 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 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?<sup>12</sup> 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 judgmentally selected the five most recent bus drivers hired by the District bus contractor, during the period July 1, 2012, through March 20, 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 if those procedures would ensure compliance, when followed, 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?<sup>13</sup>
  - To address this objective, we reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports. Overall we assessed whether the District had implemented basic safety practices.<sup>14</sup> Due to the sensitive nature of school safety, the results of our review for 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, PDE.

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<sup>12</sup> 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*.

<sup>13</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>14</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.



## **Distribution List**

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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  
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