

PERFORMANCE AUDIT

Oil City Area School District Venango County, Pennsylvania

May 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Patrick Gavin, Superintendent
Oil City Area School District
825 Grandview Road
Oil City, Pennsylvania 16301

Mr. Joseph McFadden, Board President
Oil City Area School District
825 Grandview Road
Oil City, Pennsylvania 16301

Dear Mr. Gavin and Mr. McFadden:

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

- Administrative Contract Buyout
- Transportation Operations
- Data Integrity
- Procurement Cards
- Bus Driver Requirements
- School Safety

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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 in the bulleted list above.

Mr. Patrick Gavin
Mr. Joseph McFadden
Page 2

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

May 30, 2018

cc: **OIL CITY AREA SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Background Information	1
Finding(s)	8
Status of Prior Audit Findings and Observations	9
Appendix: Audit Scope, Objectives, and Methodology	11
Distribution List	15

Background Information

School Characteristics 2015-16 School Year	
County	Venango
Total Square Miles	78.597
Resident Population	15,057
Number of School Buildings	5
Total Teachers	151
Total Full or Part-Time Support Staff	71
Total Administrators	9
Total Enrollment for Most Recent School Year	2,018
Intermediate Unit Number	6
District Vo-Tech School	Venango Technology Center

Mission Statement

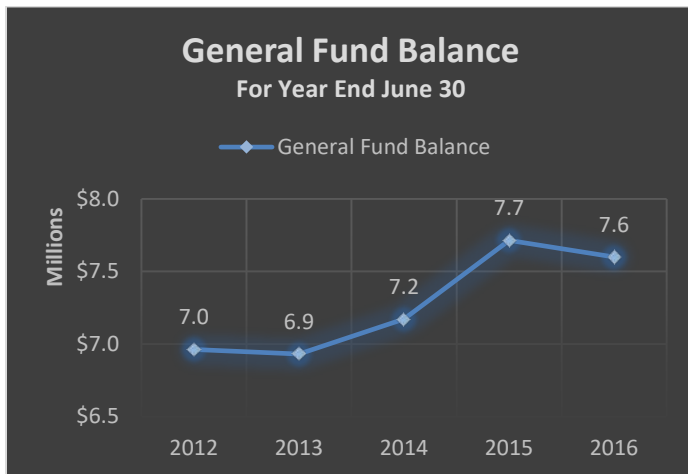
Every Student.....Every Day.

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

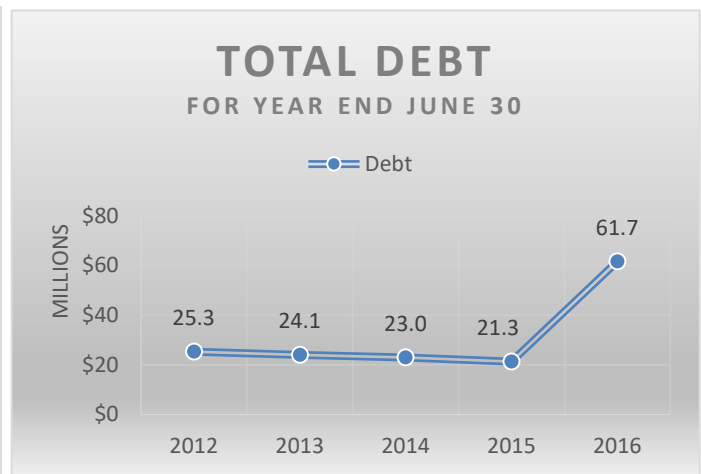
B - Source: United States Census
<http://www.census.gov/2010census>.

Financial Information

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

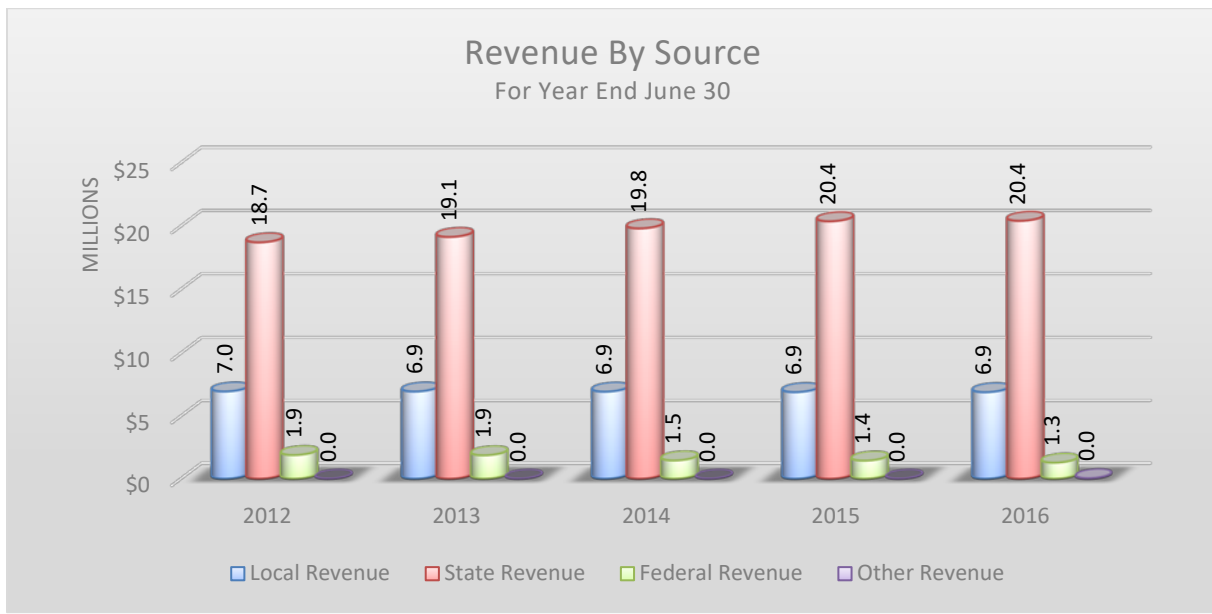
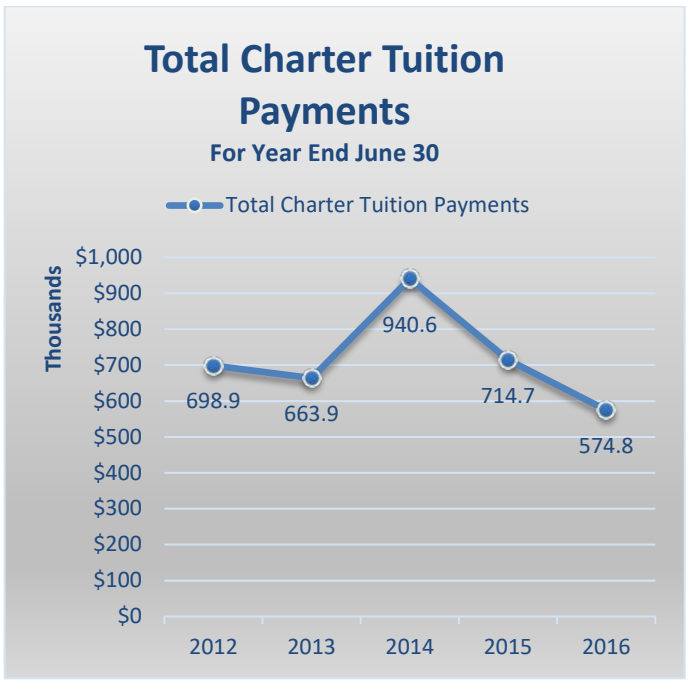
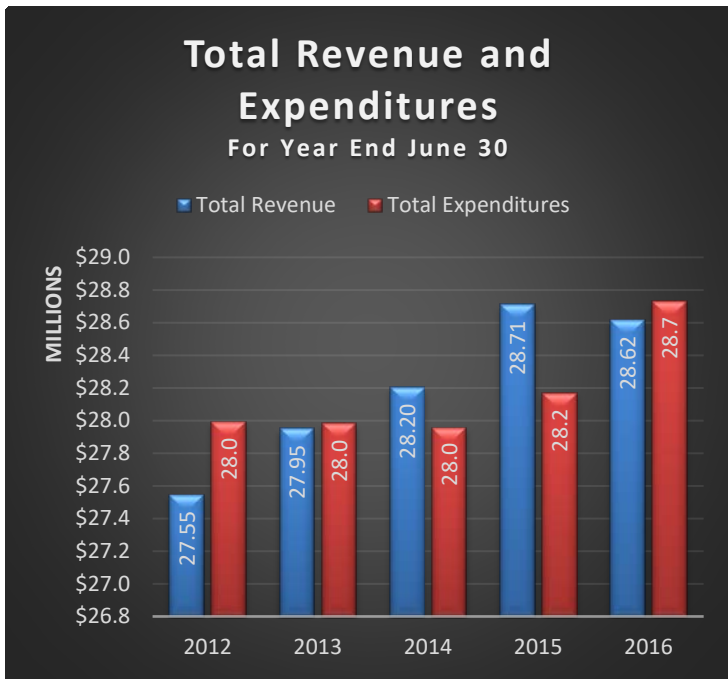


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

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 the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding chart.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?

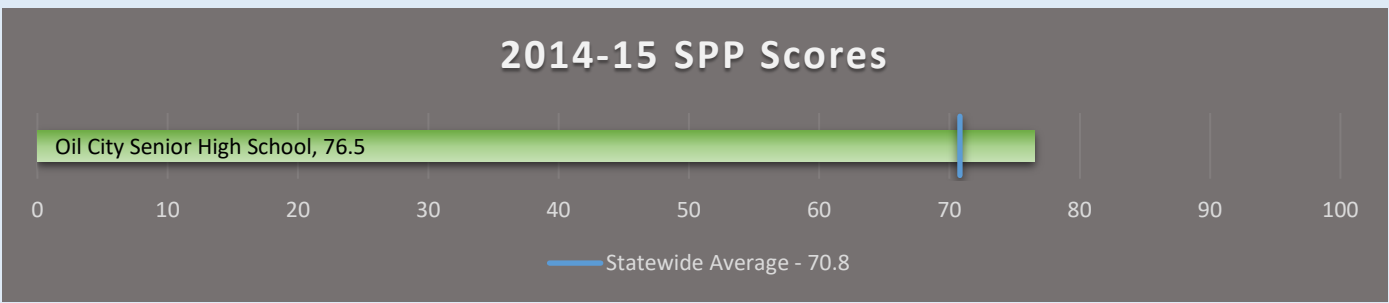
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student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

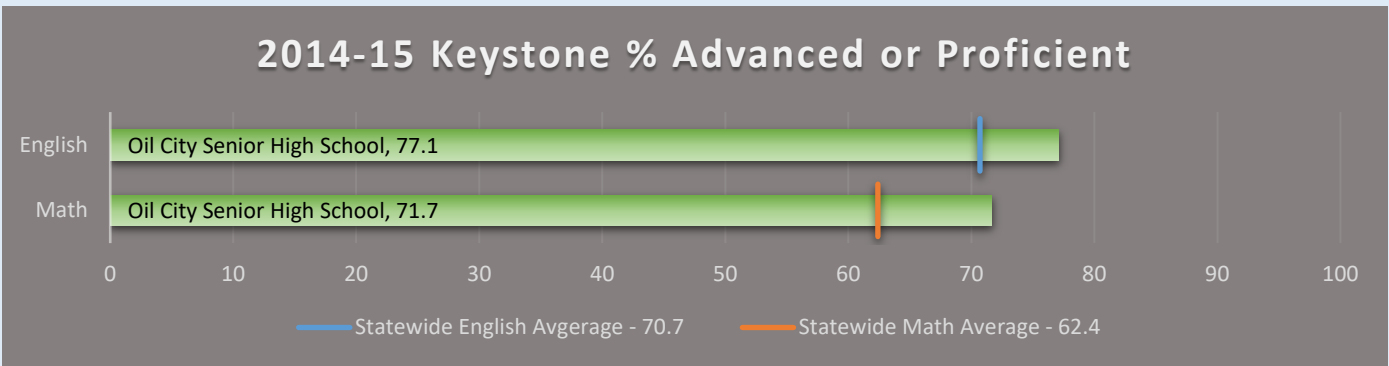
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

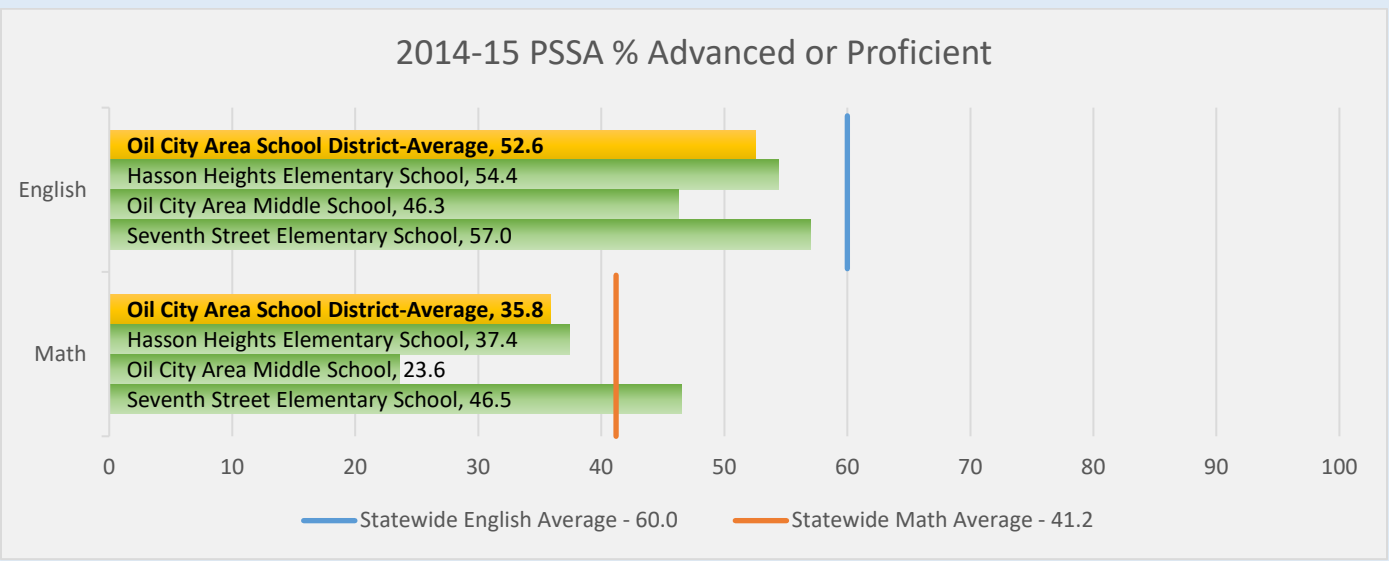
2014-15 SPP Scores



2014-15 Keystone % Advanced or Proficient

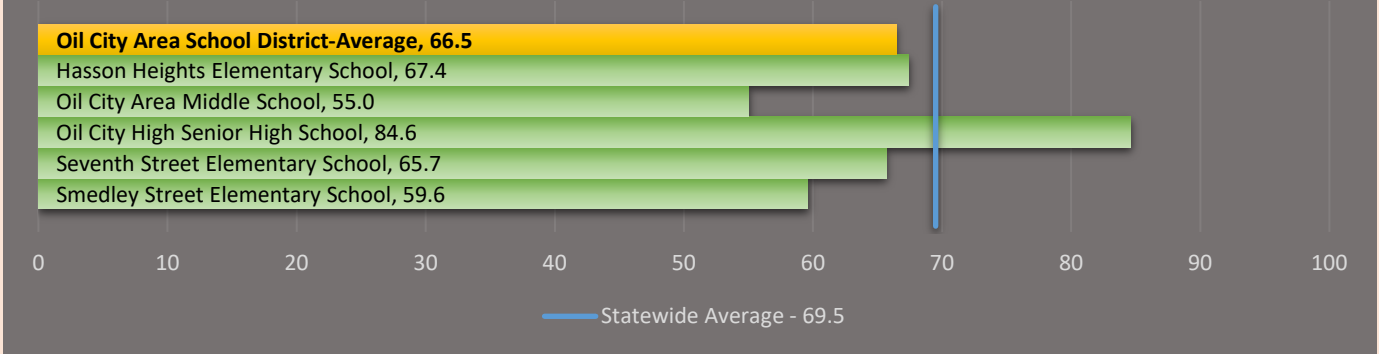


2014-15 PSSA % Advanced or Proficient

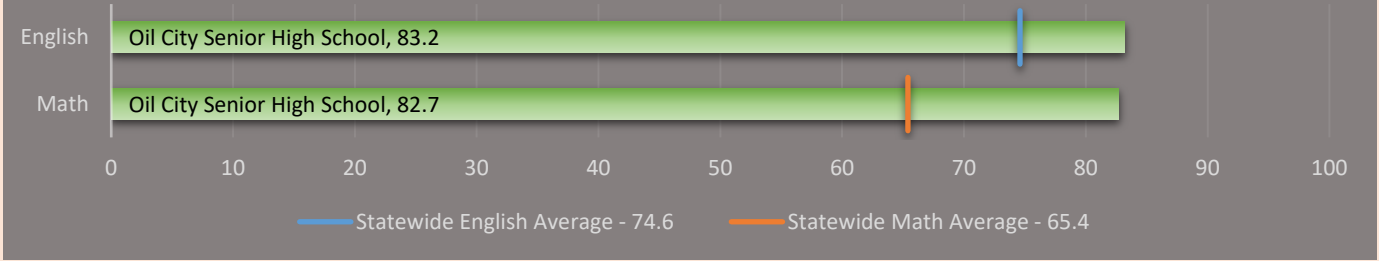


2015-16 Academic Data
School Scores Compared to Statewide Averages

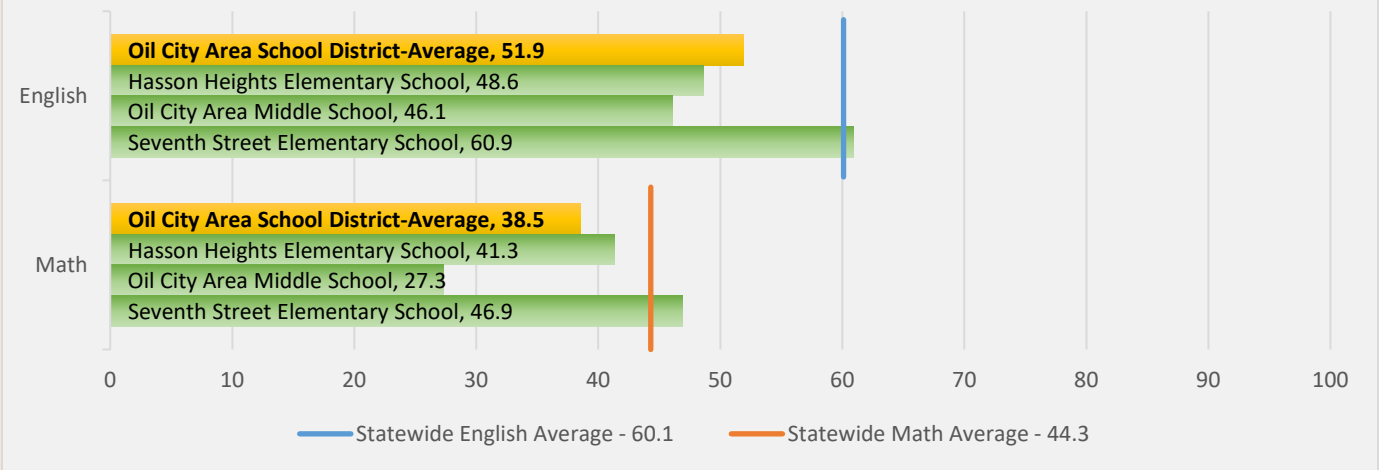
2015-16 SPP Scores



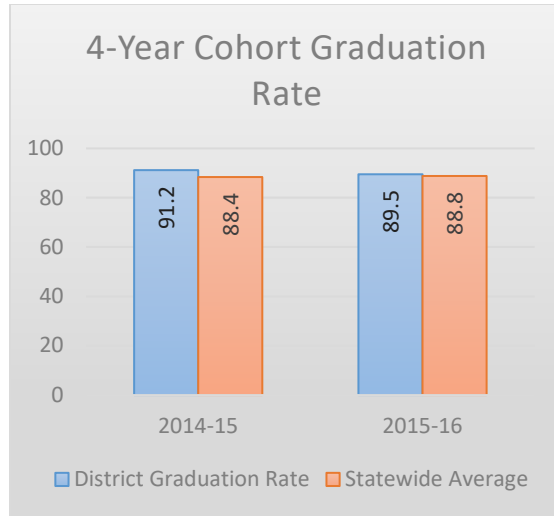
2015-16 Keystone % Advanced or Proficient



2015-16 PSSA % Advanced or Proficient



4-Year Cohort Graduation Rate



Finding(s)

For the audited period, our audit of the Oil City Area School District resulted in no findings.

Status of Prior Audit Findings and Observations

Our prior audit of the Oil City Area School District (District) released on October 16, 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 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 October 16, 2014

Prior Finding No. 1: Error in Reporting Social Security and Medicare Wages Resulted in a Net Reimbursement Overpayment of \$57,709

Prior Finding Summary: During our prior audit of the District's Social Security and Medicare wages reported for the 2010-11 school year, we found that wages paid in June 2010 were reported twice, which resulted in inaccurate reports being submitted to PDE.

Prior Recommendations: We recommended that the District should:

1. Comply with PDE instructions for the completion of the Reconciliation of Social Security and Medicare Tax Contributions form when reporting wages paid in total for each quarter.
2. Implement administrative internal control procedures to ensure that wages reported to the Internal Revenue Service and PDE are balanced prior to submission of quarterly and annual reports.
3. Perform an internal review of subsequent reports and make any necessary revisions as required.

We also recommended that PDE should:

4. Adjust the District's allocations to resolve the reimbursement overpayment of \$57,709.

Current Status: The District implemented our recommendations. Each year, District personnel compares the quarterly year-to-date report to confirm that the correct months are appropriately included in each quarterly report submitted to PDE. In addition, the biweekly Social Security report is recalculated to determine that they match the quarterly report. During our current audit, we found that the District correctly reported Social Security and Medicare wages to PDE and was reimbursed accurately.

PDE implemented our recommendation in May 2015 by withholding \$57,709 from the District's subsidy.

Prior Finding No. 2: Failure to Have All School Bus Drivers Qualifications on File

Prior Finding Summary: We found that the District did not have all of the required bus driver requirements on file at the District at the time of our audit.

Prior Recommendations: We recommended that the District should:

1. Ensure all bus drivers' qualifications are on file prior to hiring them to transport students.
2. Ensure bus drivers' personnel files are kept up-to-date and the proper clearances are obtained.
3. Establish procedures to ensure the contractor's recommended drivers' qualifications are reviewed prior to the Board of School Directors' (Board) approval to ensure completeness and appropriateness and that the contractor does not allow any bus driver to transport students prior to the Board's review and approval.
4. Review its current bus driver listing and work with its contractor to obtain all required clearances.

Current Status: The District implemented our prior audit recommendations. During our current audit, we found that the District had bus drivers' qualifications on file and that personnel files are current. In addition, we found that the Board approved the drivers prior to the drivers transporting District students.

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, Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 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, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Oil City Area School District's (District) 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, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2012, through June 30, 2016. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

- ✓ Administrative Contract Buyout
- ✓ Transportation Operations
- ✓ Data Integrity
- ✓ Procurement Cards
- ✓ Bus Driver Requirements
- ✓ School Safety

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

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buyout, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code⁹ and the Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for the one administrator who separated from employment with the District during the audit period. We also reviewed the contract for the District's current Superintendent entered into on July 20, 2015. Our review of this objective did not result in any reportable issues.
- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?
 - To address this objective, we randomly selected 10 of the 44 vehicles used by the District's contractors to transport District students during the 2015-16 school year and reviewed documentation to verify the accuracy of the number of students reported, and miles with students, miles without students reported, and the

⁹ 24 P.S. § 10-1073(e)(2)(v).

transportation reimbursement subsidy received.¹⁰ In addition, we reviewed all 96 nonpublic students reported as being transported by the District. We ensured that the District had supporting documentation for these students and that they were accurately reported. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹¹
 - To address this objective, we reviewed all of the nonresident students reported by the District to PDE for reimbursement during the period July 1, 2012, through June 30, 2016.¹² Specifically, we compared the District’s PDE summary of child accounting report to the District’s court placement and enrollment records for the students reported to PDE to ensure that the 96 nonresident students were accurately reported. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District have board-approved policies over its procurement cards? Were procurement cards used in accordance with these policies and procedures and used only to purchase items for the District?
 - To address this objective, we obtained and reviewed the District’s credit card policy and ensured that all users had current signed user agreements. We also obtained the District credit card statements for the 2015-16 school year. We selected three months with the highest total dollar amount of charges.¹³ These three months had a total of 99 transactions. We randomly selected 36 of these 99 transactions for detailed testing.¹⁴ Detailed testing included reviewing purchasing orders and corresponding receipts and ensuring that all purchases were reviewed and approved. 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?¹⁵ 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?

¹⁰ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

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

¹² The District reported 56 total nonresident students during this time period.

¹³ The transactions were selected because we considered them to have a higher risk of non-compliance with board-approved policies and procedures for procurement cards. Therefore, the selection is not representative of the population of procurement card transactions, and the results should not be projected to that population.

¹⁴ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the three month population.

¹⁵ 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.

- To address this objective, we randomly selected 10 of the 70 bus drivers employed by the District’s bus contractor(s) and transporting District students as of February 1, 2018.¹⁶ We 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 ensure compliance with bus driver hiring requirements. Our review of this objective did not result in any reportable issues.
- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁷
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted on-site reviews at the two District elementary school buildings that were not reviewed in the prior audit to assess whether the District had implemented basic safety practices.¹⁸ Due to the sensitive nature of school safety, the results of our review of this objective are not described in our report. The results of our review of school safety are shared with the District officials and other appropriate agencies.

¹⁶ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁷ 24 P.S. § 13-1301-A *et seq.*

¹⁸ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

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
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Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
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The Honorable Joe Torsella

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Pennsylvania State Education Association
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Harrisburg, PA 17105

Mr. Nathan Mains

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Mechanicsburg, PA 17050

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