

PERFORMANCE AUDIT

Panther Valley School District Carbon County, Pennsylvania

June 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Dennis R. Kergick, Sr., Superintendent
Panther Valley School District
1 Panther Way
Lansford, Pennsylvania 18232

Mr. Wayne Gryzik, Board President
Panther Valley School District
1 Panther Way
Lansford, Pennsylvania 18232

Dear Mr. Kergick and Mr. Gryzik:

We have conducted a performance audit of the Panther Valley 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:

- Contracting
- Administrator Contract Buy-out
- Data Integrity
- School Safety
- Bus Driver Requirements

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.

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".

Eugene A. DePasquale
Auditor General

June 22, 2017

cc: **PANTHER VALLEY SCHOOL DISTRICT** Board of School Directors

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Background Information

School Characteristics 2015-16 School Year ^A	
Counties	Carbon & Schuylkill
Total Square Miles	40
Resident Population^B	12,605
Number of School Buildings	3
Total Teachers	117
Total Full or Part-Time Support Staff	63
Total Administrators	10
Total Enrollment for Most Recent School Year	1,609
Intermediate Unit Number	21
District Vo-Tech School	Carbon Career & Technical Institute

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

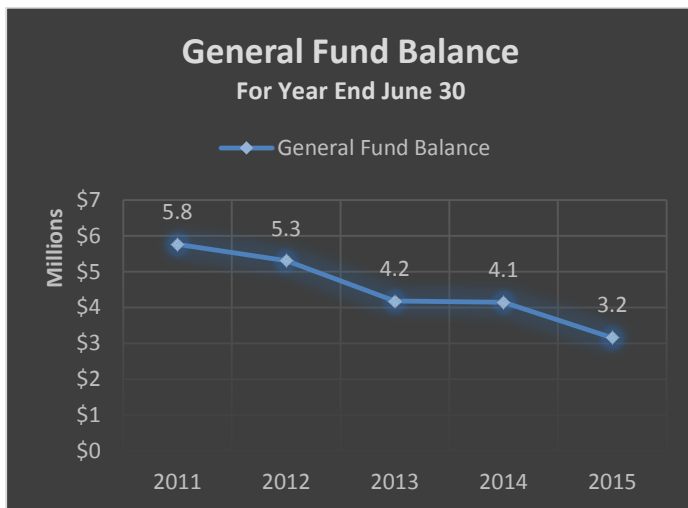
B - Source: United States Census
<http://www.census.gov/2010census>.

Mission Statement^A

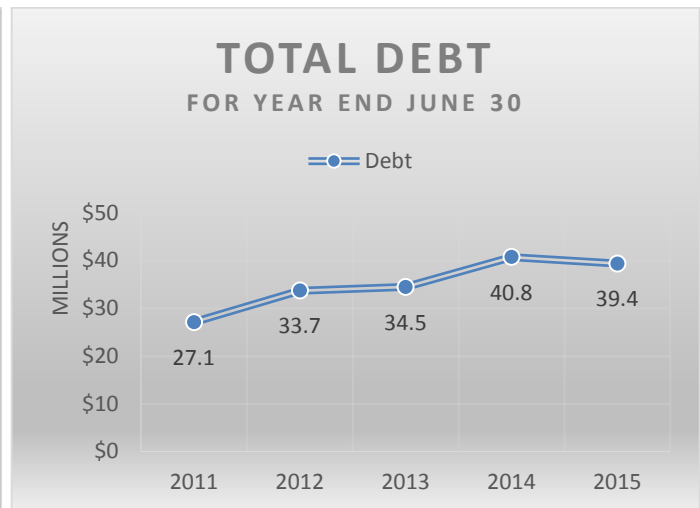
Working together as a community to inspire each individual to achieve success through lifelong learning.

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**.

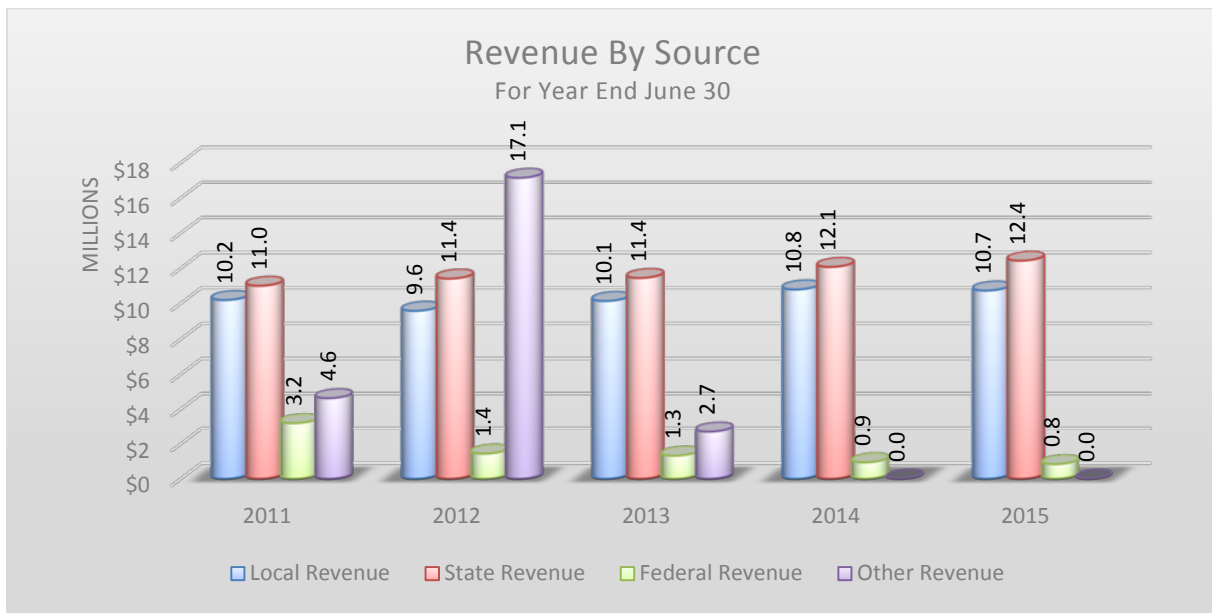
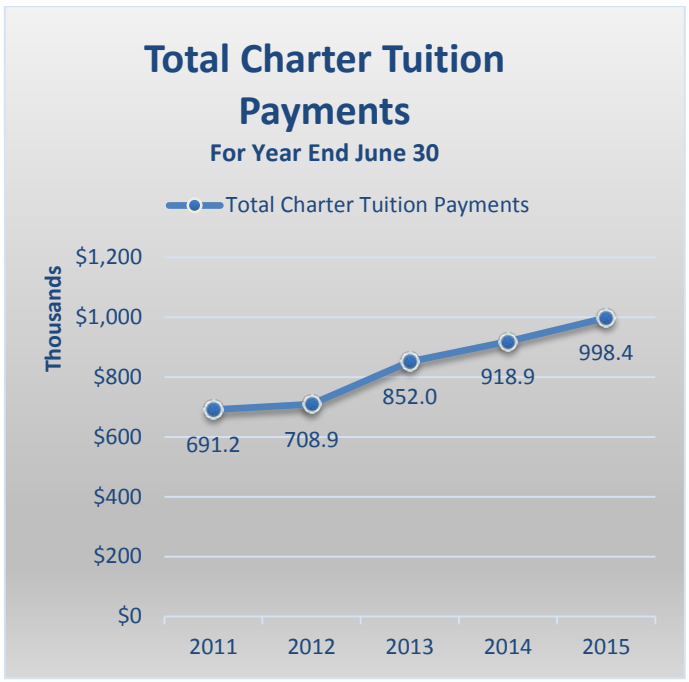
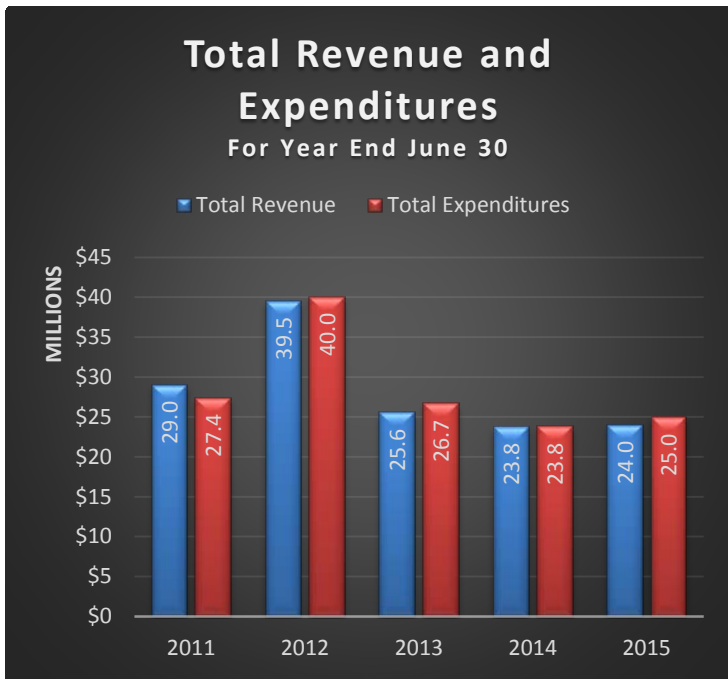


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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



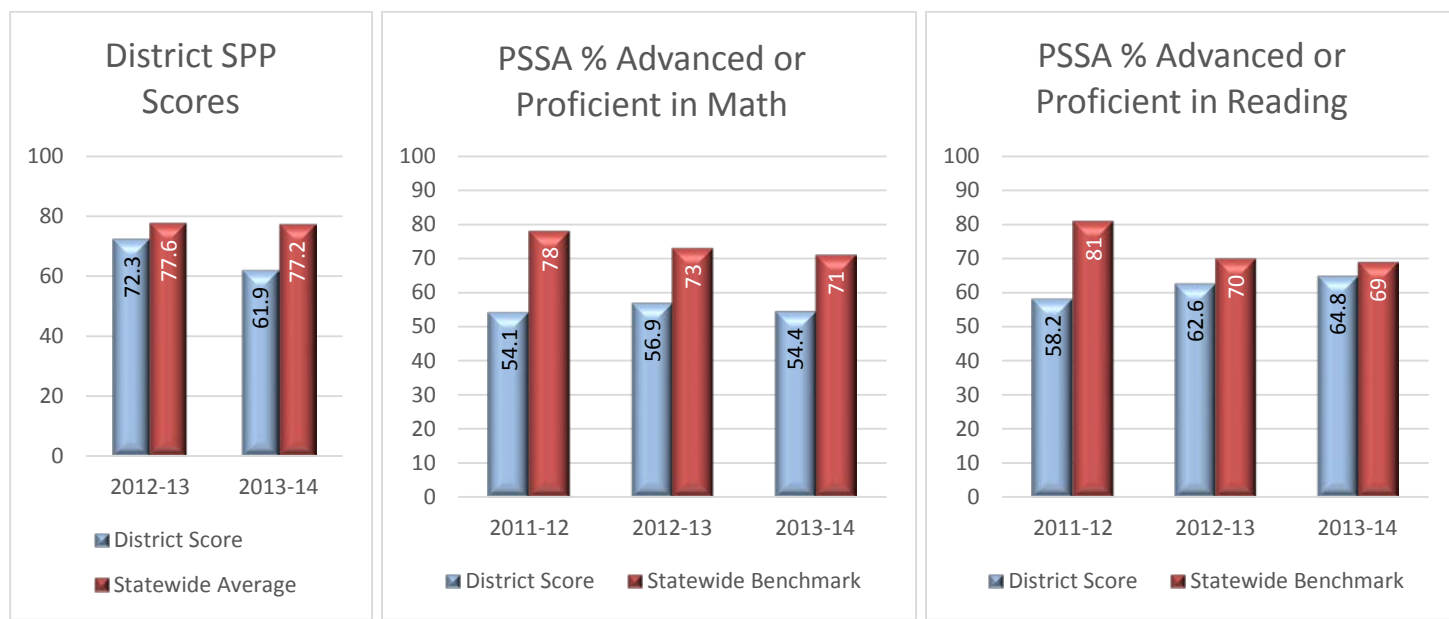
Academic Information

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>Panther Valley SD</i>	72.3	61.9	54.1	56.9	54.4	58.2	62.6	64.8
<i>SPP Grade⁴</i>	C	D						



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).

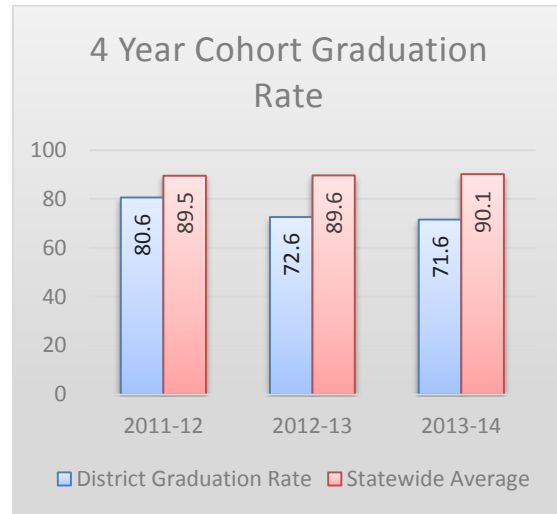
Individual School Building SPP and PSSA Scores

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
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
<i>Panther Valley Elementary School</i>	73.3	57.4	66.5	61.8	56.1	65.9	63.5	59.3
<i>Panther Valley Middle School</i>	86.0	64.1	57.2	67.4	52.8	58.0	62.1	59.0
<i>Panther Valley Senior High School</i>	57.7	64.3	38.6	41.7	54.3	50.6	62.3	76.1

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 May 15, 2014, resulted in one finding, 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 the status section below.

Auditor General Performance Audit Report Released on May 15, 2014

Prior Finding: **Continued Inadequate Documentation and Errors in Student Data Reporting Resulted in a Reimbursement Underpayment of \$67,299**

Prior Finding Summary: Our prior audit of the District found that student membership reports submitted to PDE for the 2010-11 and 2011-12 school years had continued reporting errors. District personnel did not maintain adequate documentation demonstrating the nonresident status of its children placed in private homes (foster children) and inaccurately reported the membership for these students. In total for the two school years, these errors resulted in an underpayment to the District of \$67,299.

Prior Recommendations: We recommended that the District should:

1. Review PDE instructions and compile the nonresident listing accordingly.
2. Review membership data thoroughly for residency classification prior to submitting reports to PDE.
3. Review reports submitted subsequent to the years audited and submit revised reports to PDE, if errors are found.

We also recommended that PDE should:

4. Adjust the District's membership reports and reimburse the District \$67,299.

Current Status: During our current audit, we found the District did implement our prior recommendations. The District reviewed PDE instructions and developed procedures that compiled resident and nonresident membership listings accordingly prior to submitting reports to PDE. In addition, we performed procedures to determine the accuracy of student membership reported to PDE for the 2012-13, 2013-14, and 2014-15 school years. Our testing revealed student membership

submitted to PDE for these three school years was accurate. As of June 14, 2017, PDE has not resolved the \$67,299 underpayment to the District. Therefore, we again recommend PDE adjust the District's subsidy to resolve the outstanding underpayment of \$67,299.

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 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 pages.

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, 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:

- ✓ Contracting
- ✓ Administrator Contract Buy-out
- ✓ Data Integrity
- ✓ School Safety
- ✓ Bus Driver Requirements

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

- ✓ Did the District ensure that its 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 District contracts in effect during the 2015-16 school. We selected 4 out of 15 contracts for detailed testing. These four contracts were selected based on indicators of high risk of noncompliance with the PSC and/or board policies. 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 Director's 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 employment contract comply with the Public School Code⁹ and Public School Employees' Retirement System guidelines?

⁹ 24 P.S. § 10-1073(e)(v).

- To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for one administrator who separated from employment with the District during the period July 1, 2012, through June 30, 2016. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District properly report student membership to PDE for nonresident students placed in private homes? Did the District receive the correct reimbursement for nonresident students placed in private homes?
 - To address this objective, we reviewed all nonresident students placed in private homes during the 2012-13 (17 students), 2013-14 (5 students), and 2014-15 (6 students) school years. We obtained documentation to verify that the custodial parent or guardian was not a resident of the District and that the custodial parent received a stipend for caring for the student. We reviewed the annual tuition rate calculation and re-calculated the reimbursement that should have been received by the District for the nonresident students placed in private homes. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁰
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. 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.
- ✓ 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?¹¹ 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 randomly selected 5 of the 11 bus drivers hired by the District bus contractors, during the period July 1, 2012, through March 24, 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, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

¹⁰ 24 P.S. § 13-1301-A *et seq.*

¹¹ 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

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

The Honorable Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

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Harrisburg, PA 17126

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Research Manager
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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.