

PERFORMANCE AUDIT

Saint Marys Area School District Elk County, Pennsylvania

November 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. G. Brian Toth, Superintendent
Saint Marys Area School District
977 South Saint Marys Road
Saint Marys, Pennsylvania 15857

Dr. Clythera S. Hornung, Board President
Saint Marys Area School District
977 South Saint Marys Road
Saint Marys, Pennsylvania 15857

Dear Dr. Toth and Dr. Hornung:

We have conducted a performance audit of the Saint Marys 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:

- Transportation Operations
- Administrator Contract Buyout
- 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 Transportation Data to PDE Resulting in a \$39,849 Underpayment

Dr. G. Brian Toth
Dr. Clythera S. Hornung
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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

November 30, 2017

cc: **SAINT MARYS AREA SCHOOL DISTRICT** Board of School Directors

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Background Information

| School Characteristics 2016-17 School Year ^A | |
|--|--------|
| County | Elk |
| Total Square Miles | 342 |
| Resident Population ^B | 21,138 |
| Number of School Buildings | 5 |
| Total Teachers | 149 |
| Total Full or Part-Time Support Staff | 77 |
| Total Administrators | 16 |
| Total Enrollment for Most Recent School Year | 2,074 |
| Intermediate Unit Number | 9 |
| District Vo-Tech School | N/A |

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

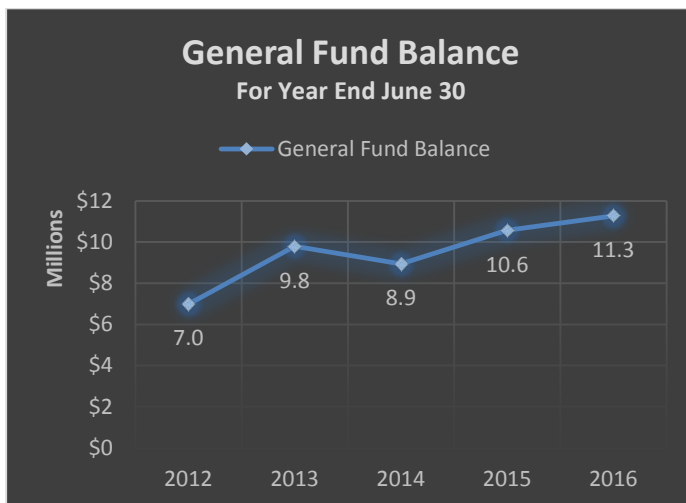
B - Source: United States Census
<http://www.census.gov/2010census>.

Mission Statement^A

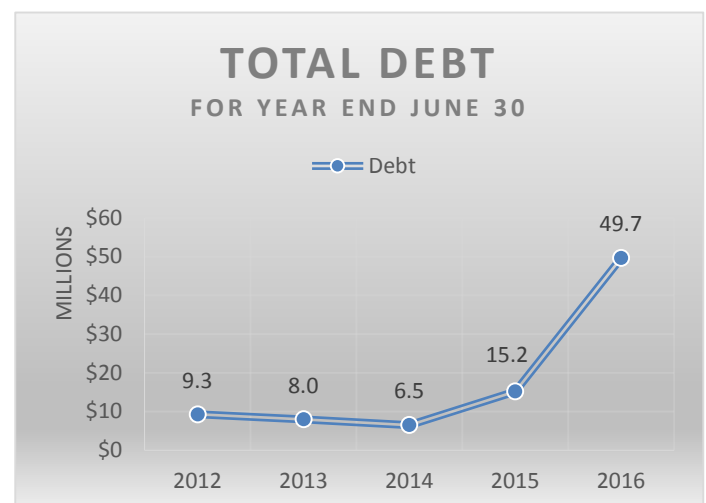
Empowering learners by meeting their academic, social, cultural and career pathway needs for the 21st century.

Financial Information

The following pages contain financial information about the Saint Marys 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**.

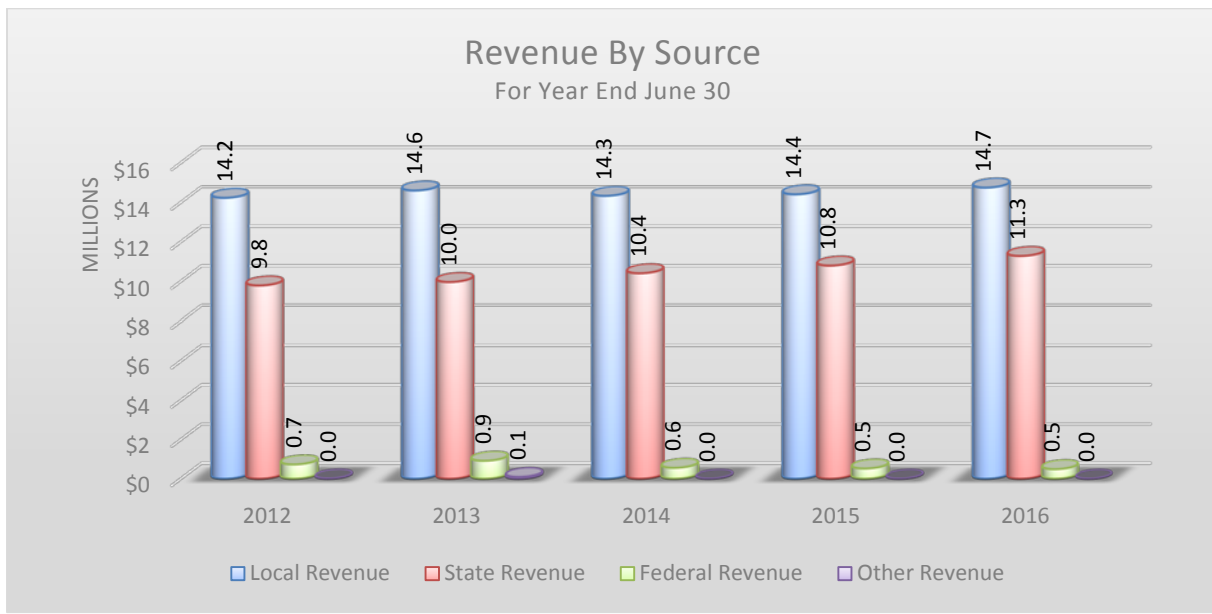
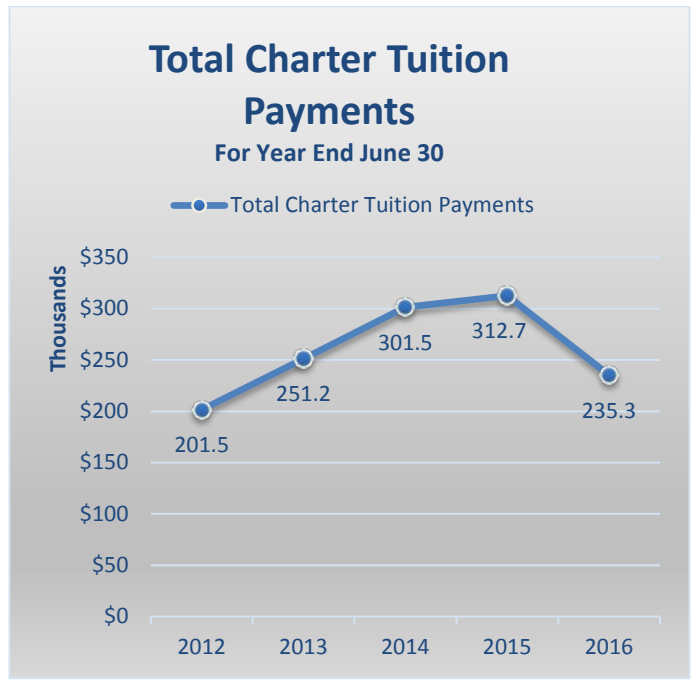
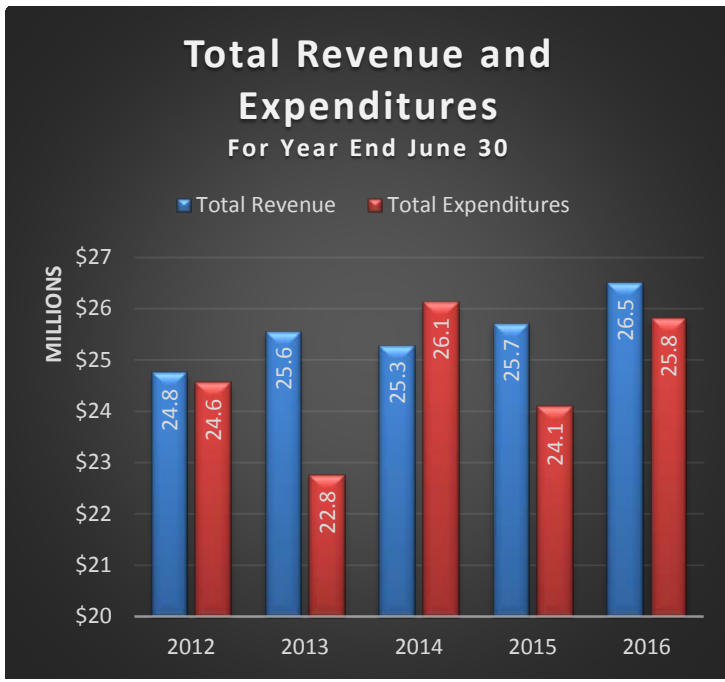


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA), Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2014-15 and 2015-16 school years.¹ These scores are provided in 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 scores were put on hold due to changes with PSSA testing.⁴ PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

What is the PSSA?

The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English and Math. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, and policymakers with important information about the state's students and schools.

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

² PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

⁴ According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of PSSA exams to align with state Common Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁵ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until at least 2020. In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

What is a 4-Year Cohort Graduation Rate?

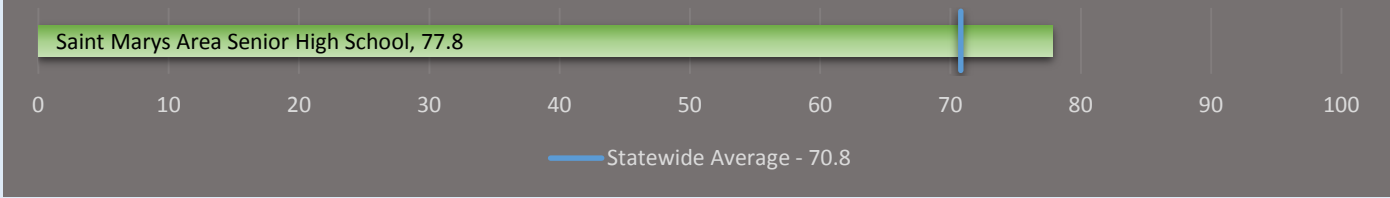
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.⁶

⁵ PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam. (Also, see footnote 4).

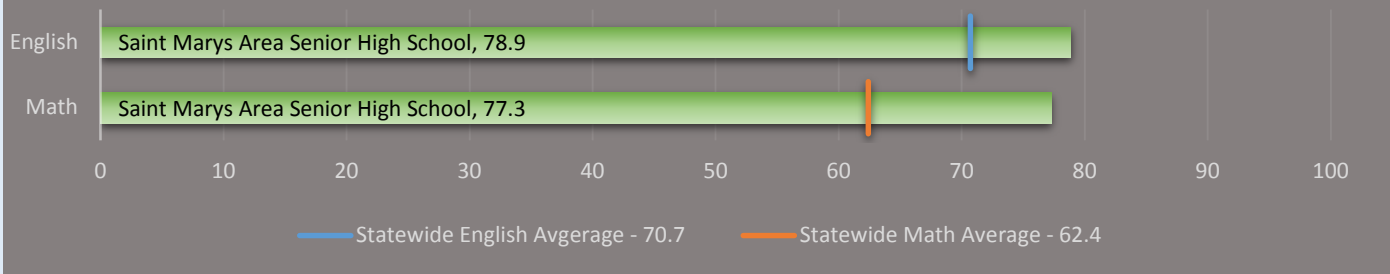
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

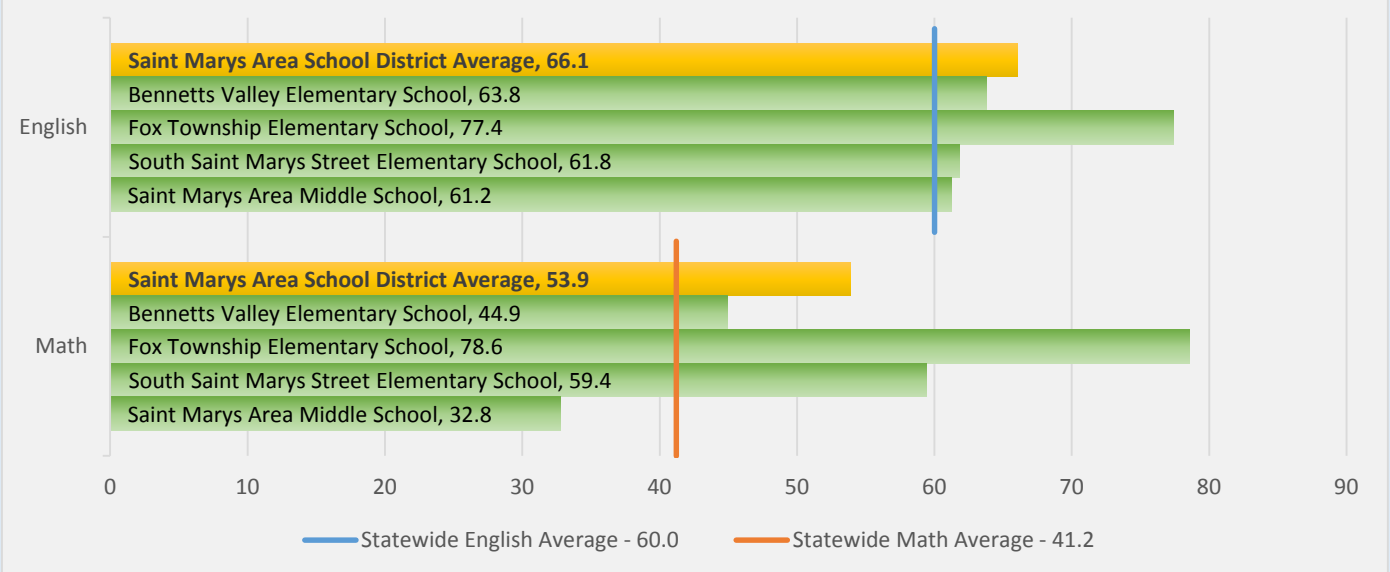
2014-15 SPP Scores



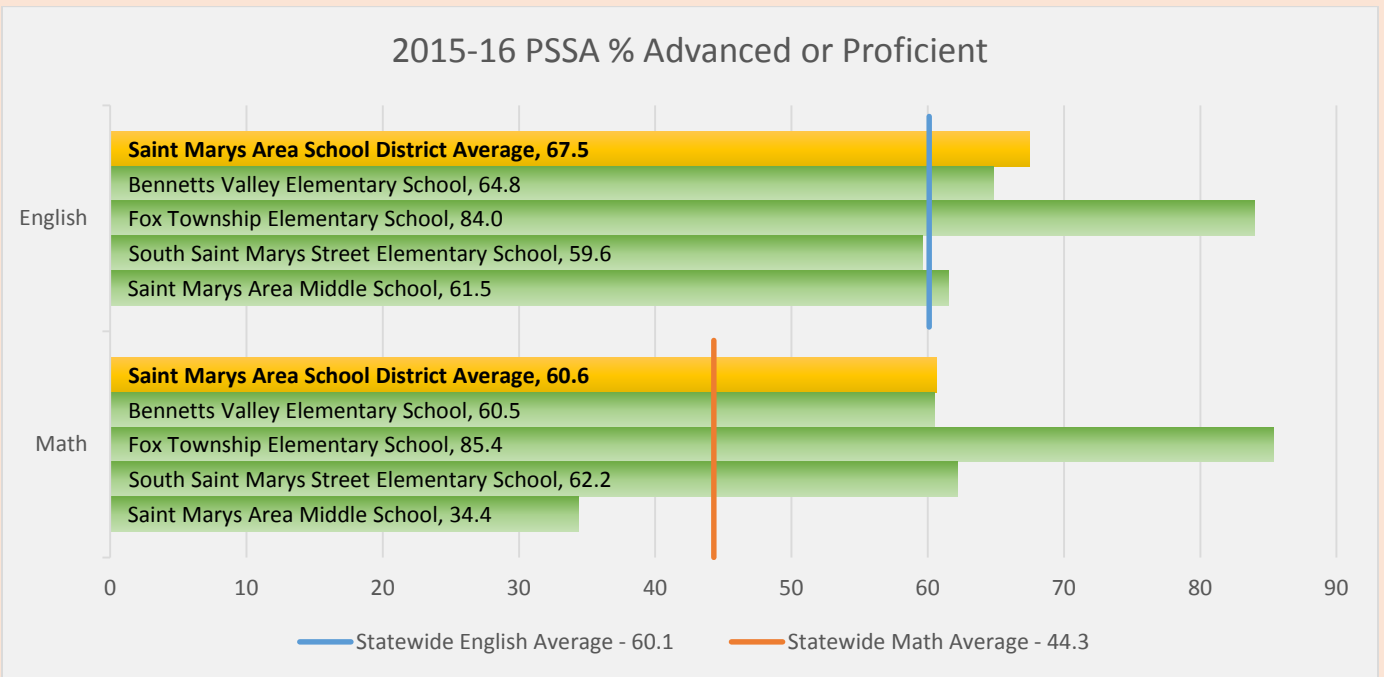
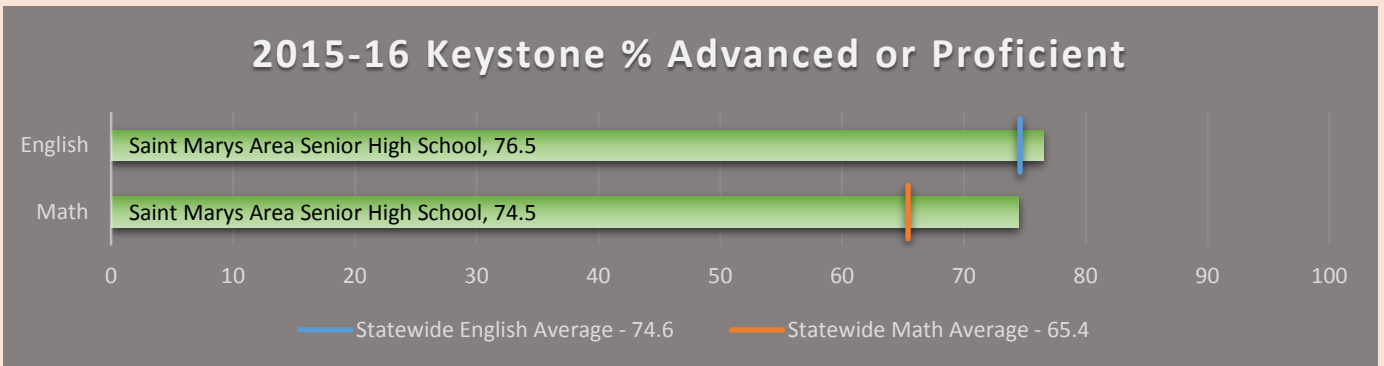
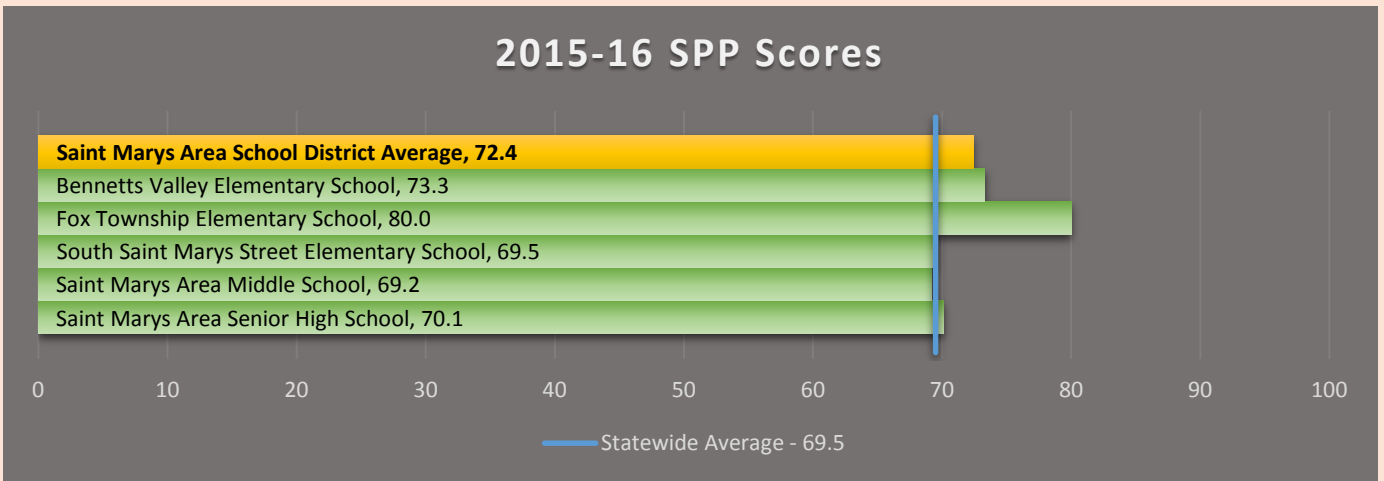
2014-15 Keystone % Advanced or Proficient



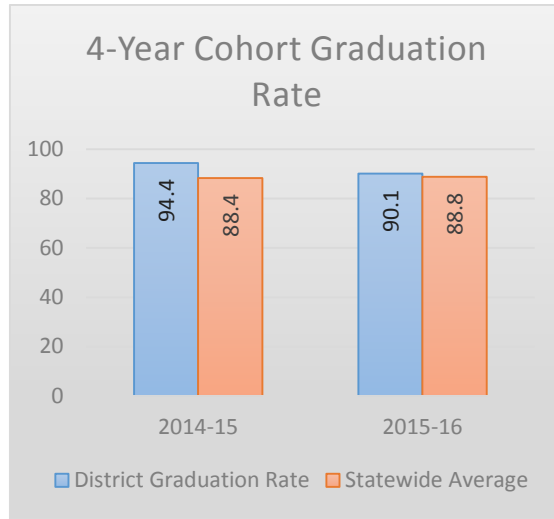
2014-15 PSSA % Advanced or Proficient



2015-16 Academic Data
School Scores Compared to Statewide Averages



4-Year Cohort Graduation Rate



Finding

Finding

The District Incorrectly Reported Transportation Data to PDE Resulting in a \$39,849 Underpayment

Criteria relevant to the finding:

Student Transportation Subsidy

The Public School Code (PSC) provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 of the PSC, 24 P.S. § 25-2541, specifies the transportation formula and criteria.

Total Students Transported

Section 2541(a) of the PSC, 24 P.S. § 25-2541(a), states, in part: "School district shall be paid by the Commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable Students transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes. . . ."

During our audit of the Saint Marys Area School District's (District) student transportation data reported to the Pennsylvania Department of Education (PDE) for the 2012-13 through 2015-16 school years, we found that the District reported the incorrect amount of total miles traveled and total students transported during the 2013-14 through 2015-16 school years. These errors resulted in the District being underpaid \$39,849 in transportation reimbursements over this time period. The errors were a result of incorrectly calculating total mileage and total students transported from individual vehicles and failing to follow PDE required reporting guidelines.

Districts receive two separate transportation reimbursement payments from PDE. One reimbursement is based on the number of students transported and the number of miles of vehicles in service both with and without students (regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic students transported (supplemental transportation reimbursement). The errors we identified in this finding affect the District's regular transportation reimbursement.

Incorrect Reporting of Total Miles and Number of Students

The District incorrectly reported total miles traveled and total students transported for the 2013-14 through 2015-16 school years as shown in the table below.

| Saint Marys Area School District | | | | | |
|----------------------------------|-------------------------|-------------------------------------|-------------------------------------|---|----------------------|
| Student Transportation Data | | | | | |
| School Year | Total Vehicles Reported | Total Vehicles Reported with Errors | Total Mileage Over/(Under) Reported | Total Students Transported (Under) Reported | Subsidy Underpayment |
| 2013-14 | 42 | 1 | (32.4) | (56.8) | \$13,204 |
| 2014-15 | 41 | 38 | (30.2) | (33.8) | \$17,745 |
| 2015-16 | 42 | 24 | 2.2 | (46.0) | \$8,900 |
| Total: | 125 | 63 | (60.4) | (136.6) | \$39,849 |

*Criteria relevant to the finding
(continued):*

Sworn Statement and Annual Filing Requirements

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

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphasis added.)

Total mileage was incorrectly reported in each year noted in the table above due to the following two reasons. First, the District made calculation errors when compiling the individual vehicle mileages into a cumulative total that is required to be reported to PDE. Second, the District also failed to include the mileage traveled for an “activity run”⁷ during two of the three years. PDE guidelines expressly state that mileage for activity runs should be included in total mileage annually submitted to PDE to determine reimbursement.

Districts are required to report the greatest number of students transported on each vehicle in operation during the school year. PDE guidelines state that the District should report the greatest number of students on each vehicle at any one time during the route. We found that the District failed to accurately report this information for the 2013-14 through 2015-16 school years. These errors can be attributed to two primary causes. First, the District did not follow PDE guidelines and rounded the number of students incorrectly for routes that transported a different number of students throughout the school year. Second, the District did not, in all instances, report the greatest number of students on each vehicle at any one time during the route.

The District attributed the multiple transportation reporting errors that occurred over the three school years to personnel turnover. The District official required to report District transportation data to PDE began this role with the 2013-14 school year. District officials acknowledged that transportation data was incorrectly reported to PDE during the school years cited in this audit, but were encouraged that the errors decreased significantly during the 2015-16 school year.

Transportation reimbursement is a major income source for most districts, and it is important that reports are submitted accurately to PDE. By failing to accurately report transportation data, the District may not only incur financial losses, but it fails to comply with the PSC, which may under certain circumstances cause PDE to withhold such reimbursements.

⁷ This refers to a vehicle that transports students home who stay at school past regular school hours, usually for extracurricular activities.

*Criteria relevant to the finding
(continued):*

Related regulations

State Board of Education Regulations, Title 22, Chapter 23 (relating to Pupil Transportation), Section 23.4 states, in part: “The board of directors of a school district is responsible for all aspects of pupil transportation programs including . . . (3) The establishment of routes, schedules and loading zones which comply with laws and regulations, . . . (5) The furnishing of rosters of pupils to be transported on each school bus run and trip; (6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones. . . .” See 22 Pa. Code § 23.4(3), (5), and (6).

Recommendations

The *Saint Marys Area School District* should:

1. Implement a procedure to have a District official other than the person who prepares the data review transportation data prior to submission to PDE.
2. Ensure all activity run mileage is documented and included in the total annual miles that the District reports to PDE.
3. Ensure that PDE guidelines are followed in regard to submitting the total number of students transported. Specifically, ensure that the number of students is rounded appropriately and the greatest number of students on each vehicle is the number used for reporting purposes.

The *Pennsylvania Department of Education* should:

4. Adjust the District’s subsidy to correct the underpayment of \$39,849.

Management Response

District management provided the following response:

“The Director of Support Services is to consult the Business Manager in regards to calculations of route variations prior to submission of PDE transportation subsidy report.”

Auditor Conclusion

We are encouraged by the new procedure that the District has implemented to eliminate reporting errors to PDE. However, all data should be reviewed prior to submission to PDE not just the vehicles that had a route variation. We will verify this and any other corrective action implemented by the District during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Saint Marys Area School District resulted in no findings or observations.

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,⁸ 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 Saint Marys Area School District's (District) management is responsible for establishing and maintaining effective internal controls⁹ 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.

⁸ 72 P.S. §§402 and 403.

⁹ 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:

- Transportation Operations
- Administrator Contract Buyout
- 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 ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁰
 - To address this objective, we reviewed documentation supporting the daily mileage and number of students reported to PDE by the District for the 2012-13, 2013-14, 2014-15, and 2015-16 school years. Due to concerns identified in our planning of this audit, we reviewed daily mileage and number of students reported to PDE for all 41 buses in the 2014-15 school year. Based on the errors identified in the 2014-15 school year, we reviewed 10 buses in the 2012-13 and 2013-14 school years.¹¹ In addition, we randomly selected 15 of the 42 buses in the 2015-16 school year and reviewed to ensure daily mileage and number of students was accurately reported to PDE. Our review of this objective resulted in the finding in this audit report.

¹⁰ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹¹ There were 42 total buses used to transport District students in the 2012-13 school year and 43 buses in the 2013-14 school year.

- ✓ Did the District pursue a contract buy-out 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 Code¹² and Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the employment contracts, board meeting minutes, board policies, and payroll records for the four administrators who separated employment from 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 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?¹³ 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 26 bus drivers hired by the District's bus contractors, during the period July 1, 2014, through June 30, 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 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?¹⁴
 - 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 an on-site review at one out of the District's five school buildings (we chose a building where we had not yet conducted an on-site review during any prior audit) to assess whether the District had implemented basic safety practices.¹⁵ 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, if deemed necessary, PDE.

¹² 24 P.S. § 10-1073(e)(2)(v).

¹³ 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.

¹⁴ 24 P.S. § 13-1301-A *et seq.*

¹⁵ 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

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