

# PERFORMANCE AUDIT

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## Smethport Area School District McKean County, Pennsylvania

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July 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. David E. London, Superintendent  
Smethport Area School District  
414 South Mechanic Street  
Smethport, Pennsylvania 16749

Mr. Larry Dennis, Board President  
Smethport Area School District  
414 South Mechanic Street  
Smethport, Pennsylvania 16749

Dear Mr. London and Mr. Dennis:

We have conducted a performance audit of the Smethport Area School District (District) for the period July 1, 2012, through June 30, 2015, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- ✓ Administrator Contract Buyout
- ✓ Procurement Cards
- ✓ 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.

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

July 6, 2017

cc: **SMETHPORT AREA SCHOOL DISTRICT** Board of School Directors

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## Background Information

School Characteristics 2015-16 School Year <sup>A</sup>	
County	McKean
<b>Total Square Miles</b>	340
<b>Resident Population<sup>B</sup></b>	6,134
<b>Number of School Buildings</b>	2
<b>Total Teachers</b>	73
<b>Total Full or Part-Time Support Staff</b>	46
<b>Total Administrators</b>	7
<b>Total Enrollment for Most Recent School Year</b>	853
<b>Intermediate Unit Number</b>	9
<b>District Vo-Tech School</b>	Seneca Highlands Career and Technical Center

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

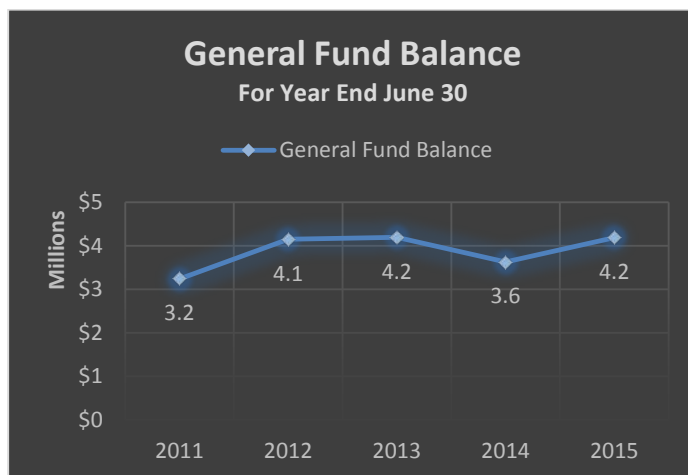
B - Source: United States Census  
<http://www.census.gov/2010census>.

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

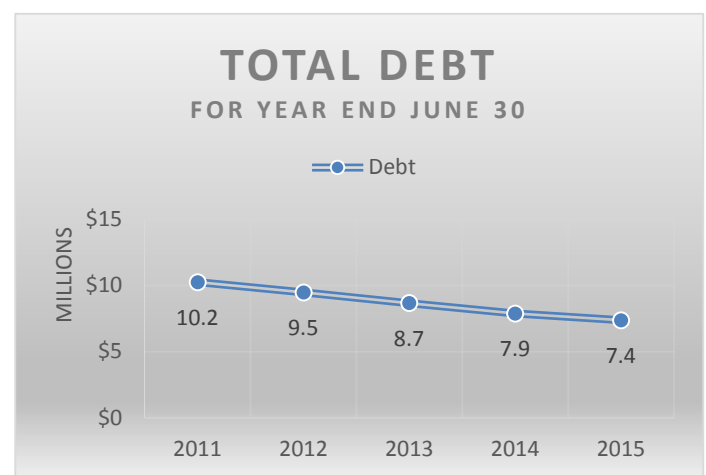
The mission of the Smethport Area School District is to promote a quality education through school, family, and community working together to foster career readiness and personal goals. The vision of the Smethport Area School District is to be a premiere school district that inspires students to achieve academic excellence by providing a proactive approach to create a high quality curriculum and programs within our district.

## 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**.

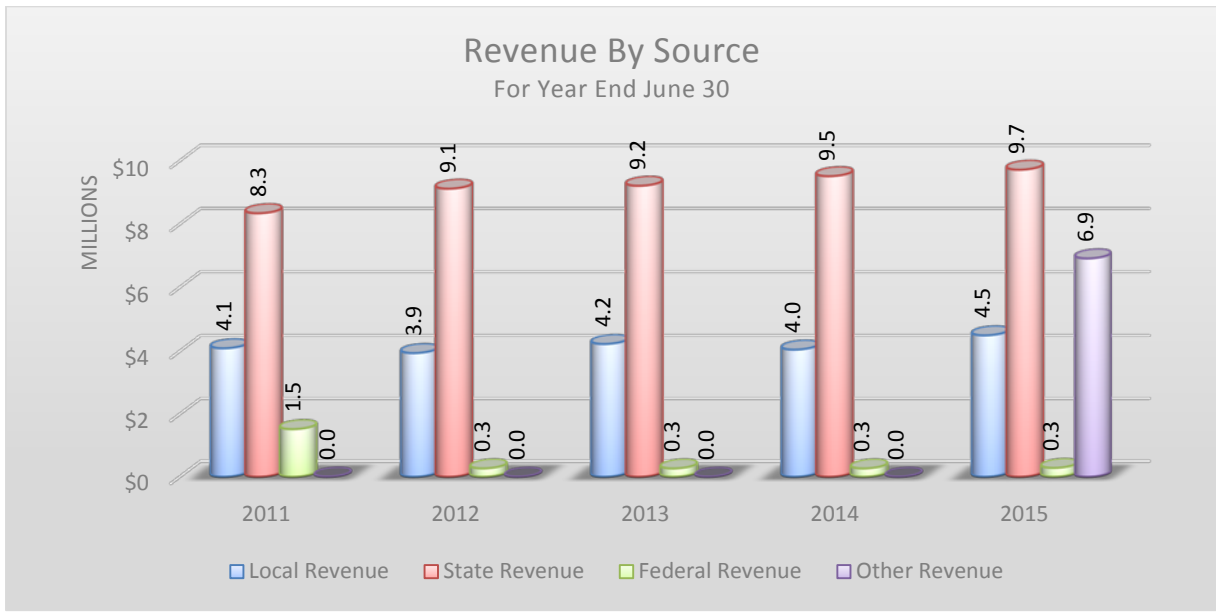
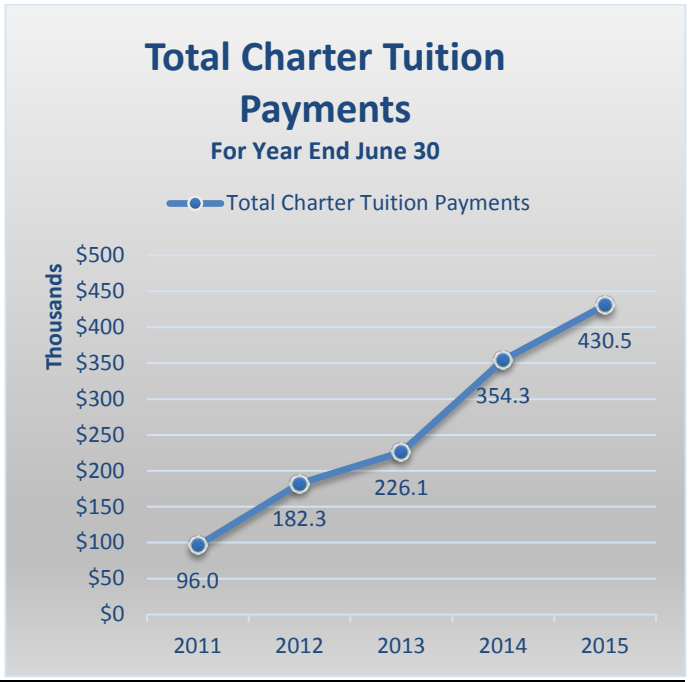
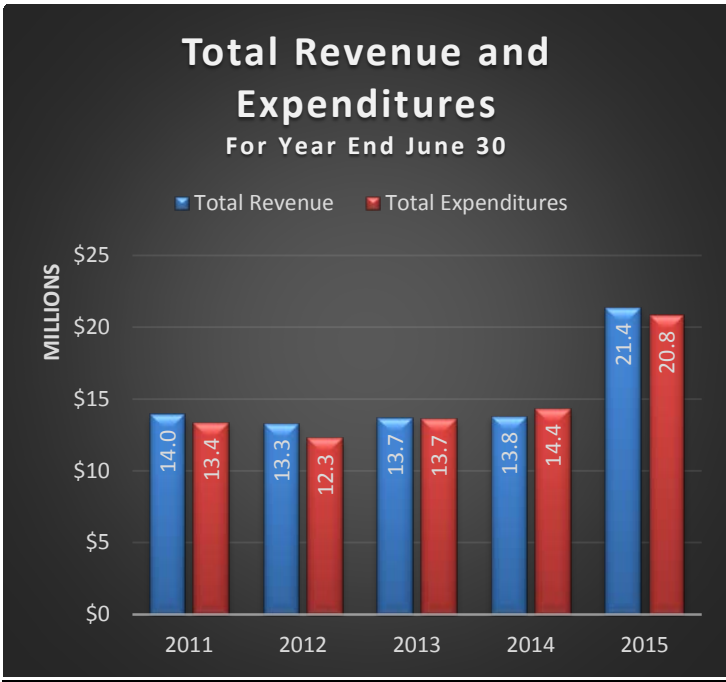


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**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**



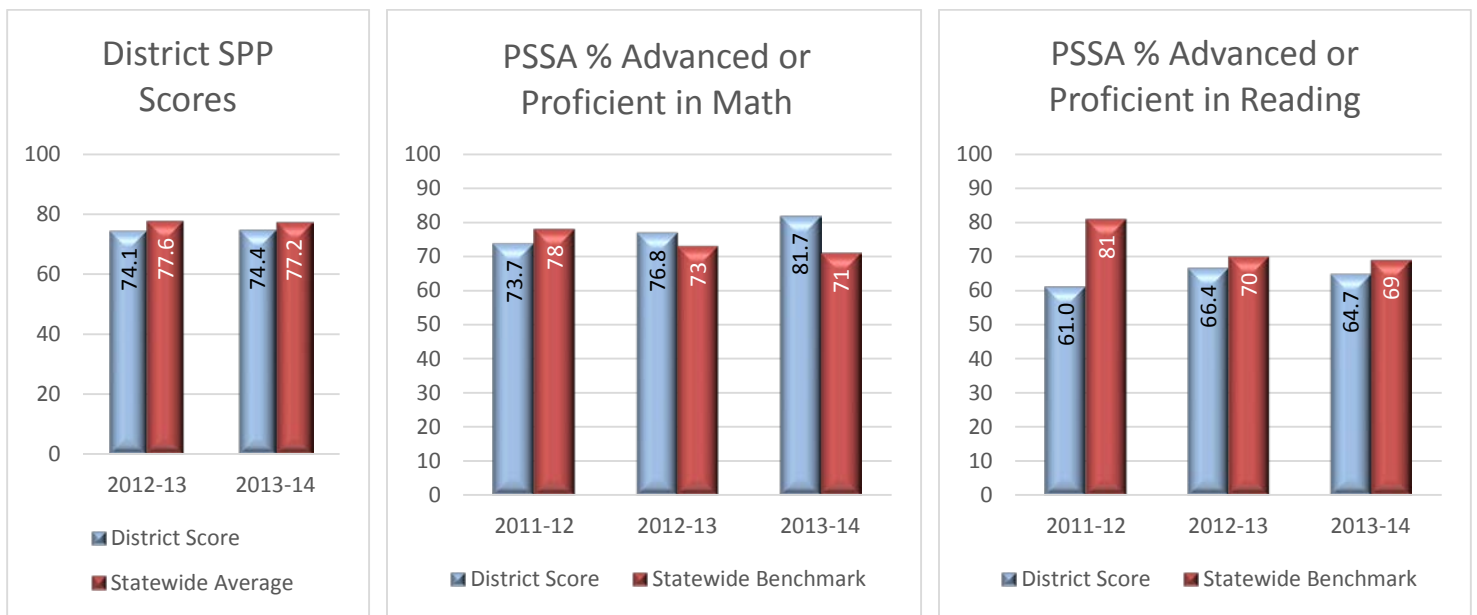
## Academic Information

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>Smethport Area SD</i>	74.1	74.4	73.7	76.8	81.7	61.0	66.4	64.7
<i>SPP Grade<sup>4</sup></i>	C	C						



<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).

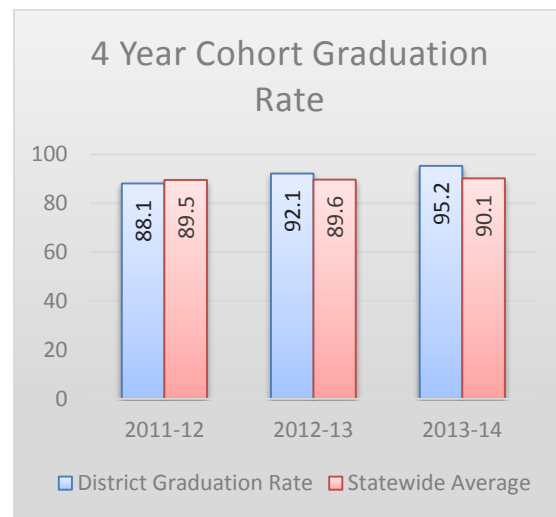
### Individual School Building SPP and PSSA Scores

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
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Smethport Area Elementary School</i>	78.6	69.6	75.5	77.4	80.7	61.0	64.1	60.1
<i>Smethport Area Junior Senior High School</i>	69.6	79.1	71.8	76.1	82.7	60.9	68.8	69.4

### 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(s)**

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**F**or the audited period, our audit of the District resulted in no findings.



## **Status of Prior Audit Findings and Observations**

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Our prior audit of the District released on December 17, 2013, resulted in one finding and one observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

### **Auditor General Performance Audit Report Released on December 17, 2013**

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**Prior Finding:**                    **A Lack of Proper Internal Controls Resulted in the District Making Reporting Errors that Cost It \$96,275 in State Subsidy**

Prior Finding Summary: We found that during the 2009-10 school year, the District incorrectly reported nonresident students to PDE. This reporting error resulted in the District being underpaid \$96,275.

Prior Recommendations: We recommended that the District should:

1. Verify that the preliminary reports from PDE are correct and, if not, revise and resubmit child accounting data so that the final reports from PDE are correct.
2. Establish internal controls that include reconciliations of the data that is uploaded into PDE's Pennsylvania Information Management System (PIMS) with the information in the District's Student Information System.
3. Request additional training from PDE to ensure that the personnel tasked with PIMS reporting thoroughly understand PDE's guidelines and instructions.
4. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
5. Compare letters for foster children with the District's reports to ensure that student membership is properly classified.

We also recommended that PDE should:

6. Revise all reports that have been incorrectly completed and adjust all of the District's reimbursements affected by the error.

Current Status: During our current audit, we found that the District has taken corrective actions to address our prior recommendations. District personnel are now reconciling the reports generated from the Student Information System with PDE's preliminary reports, and any corrections are made before PDE generates the final PIMS report. Part of the reconciliation process involves the District receiving placement letters for foster children and compares that information to their internal reports to ensure accuracy. In addition, the PIMS manual is used as a reference to ensure correct residency codes are entered for each required field. On June 1, 2016, PDE adjusted the District's subsidy to correct the underpayment.

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**Prior Observation: District's Transportation Costs Continued to Exceed the State Formula**

Prior Observation Summary:

During our prior audit of the District, we found that the District's contracted student transportation costs for the school years ending June 30, 2009, through June 30, 2012, were substantially higher than PDE's inflation-adjusted final formula allowance.

Prior Recommendations: We recommended that the District should:

1. Consider bidding transportation contracts to determine if taxpayers would benefit from a more favorable contract for the District.
2. Be cognizant of the state's final formula allowance prior to negotiating transportation contracts.

Current Status: During our current review, we found that the District continues to pay its contractor above the state formula. We noted that for the 2012-13 through 2014-15 school years, the District paid on average 176 percent over the PDE's inflation-adjusted final formula allowance. The District entered into a five-year transportation contract beginning on June 13, 2016, and ending on June 30, 2021. This new contract was not put out to bid as we recommended in our prior audit. As a result, at the conclusion of the current transportation contract, the District will have gone 11 years without seeking bids for their transportation services. The base contract<sup>7</sup> amount in the current contract is reduced for the first three years of the contract; however, the base amount increasing in the final two years of the contract and this base amount is not tied into the PDE's final formula allowance amount. We again recommend the District put its transportation contract out for bid in an effort to save taxpayer dollars.

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<sup>7</sup> The base contract includes all current regular bus and van runs (including the Alternative Education run) transporting students to and from the District.

## **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>8</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, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls<sup>9</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.

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<sup>8</sup> 72 P.S. §§ 402 and 403.

<sup>9</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.

## 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, 2015. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

- ✓ Administrator Contract Buyout
- ✓ 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 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(s) comply with the Public School Code<sup>10</sup> and Public School Employees' Retirement System guidelines?
  - To address this objective, we reviewed the employment contract, settlement agreement, board meeting minutes, board policies, and payroll records for the only administrator who separated employment with the District during the 2015-16 school year. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District ensure that its employees complied with District procurement card policies and that purchases were made for District related reasons?
  - To address this objective, we reviewed the District's procurement card policy and interviewed District personnel to determine the process for approving purchases made with the District's procurement cards. We also reviewed the monthly bank statements for all three of the District's procurement cards. In addition, we performed detailed testing on 4 of the 21 (20 percent) purchases greater than \$150 made during the 2014-15 school year. Our review of this objective did not disclose any reportable issues.

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<sup>10</sup> 24 P.S. § 10-1073(e)(v).

- ✓ 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>11</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 selected the five most recently hired drivers by the District's bus contractor during the time period December 1, 2011, through January 1, 2015, 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 new 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 appropriate actions to ensure it provided a safe school environment?<sup>12</sup>
  - To address this objective, we reviewed the District's updated bullying policy to determine compliance with the Public School Code. We also reviewed the District's procedures for implementing the bullying programs. Due to the sensitive nature of school safety, the results of our review of this objective 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.

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<sup>11</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>12</sup> 24 P.S. § 13-1301-A *et seq.*

## **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  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
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400 North Third Street - Box 1724  
Harrisburg, PA 17105

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

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