

# PERFORMANCE AUDIT

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## Belle Vernon Area School District Westmoreland County, Pennsylvania

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October 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Michele Dowell, Superintendent  
Belle Vernon Area School District  
270 Crest Avenue  
Belle Vernon, Pennsylvania 15012

Mr. Lou Rood, Board President  
Belle Vernon Area School District  
270 Crest Avenue  
Belle Vernon, Pennsylvania 15012

Dear Dr. Dowell and Mr. Rood:

Our performance audit of the Belle Vernon Area School District (District) evaluated the application of best practices in the area of finance. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objective, and methodology section of the report. 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 applied best practices in the area listed above and complied, in all significant respects, with relevant requirements, except as detailed in our two findings noted in this audit report. A summary of the results is presented in the Executive Summary section of the audit report.

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.

Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and relevant requirements. 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

October 18, 2019

cc: **BELLE VERNON AREA SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Belle Vernon Area School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix).

### **Audit Conclusion and Results**

Our audit found that the District applied best practices and complied, in all significant respects, with certain relevant state laws, regulations, contracts, and administrative procedures, except for two findings.

#### **Finding No. 1: Administrator Salary Increases Were Arbitrarily Awarded Without Board Approval and Without Performance Evaluations.**

Our review of the District's administrative personnel contract and the administrator's salaries identified several concerns. We found that the District granted salary increases to four administrators without evidence of performance evaluations having been conducted or board approval. In addition, we found that the salary schedule included as part of the Act 93 Agreement did not align with the salary increases provided for in the agreement. (See page 7).

#### **Finding No. 2: The District Did Not Comply with the Tuition Reimbursement Requirements of Its Act 93 Agreement.**

Our review of the District's tuition reimbursements disclosed instances of noncompliance with contractual requirements and board policies. (See page 12).

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

There were no findings or observations in our prior audit report.

## Background Information

School Characteristics 2017-18 School Year <sup>A</sup>	
County	Westmoreland
Total Square Miles	42
Number of School Buildings	4
Total Teachers	159
Total Full or Part-Time Support Staff	134
Total Administrators	15
Total Enrollment for Most Recent School Year	2,428
Intermediate Unit Number	7
District Vo-Tech School	Central Westmoreland Career and Technical Center

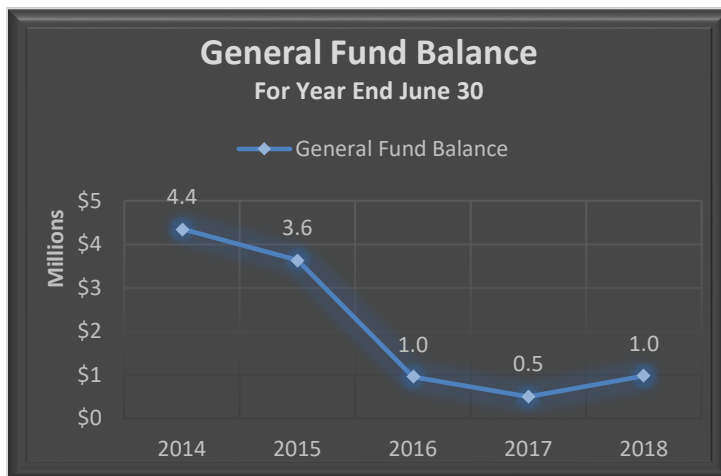
A - Source: Information provided by the District administration and is unaudited.

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

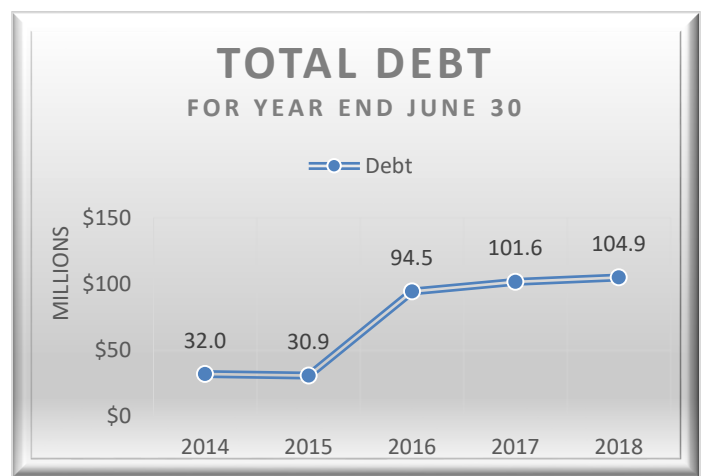
Belle Vernon Area School District provides a learning environment designed to motivate students to perform to high levels of academic achievement and self-sufficiency. The school environment encourages personal development, confidence building, interaction with others, problem-solving, and learning to become ethical, productive and morally upstanding members of the global society.

## Financial Information

The following pages contain financial information about the Belle Vernon 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**.

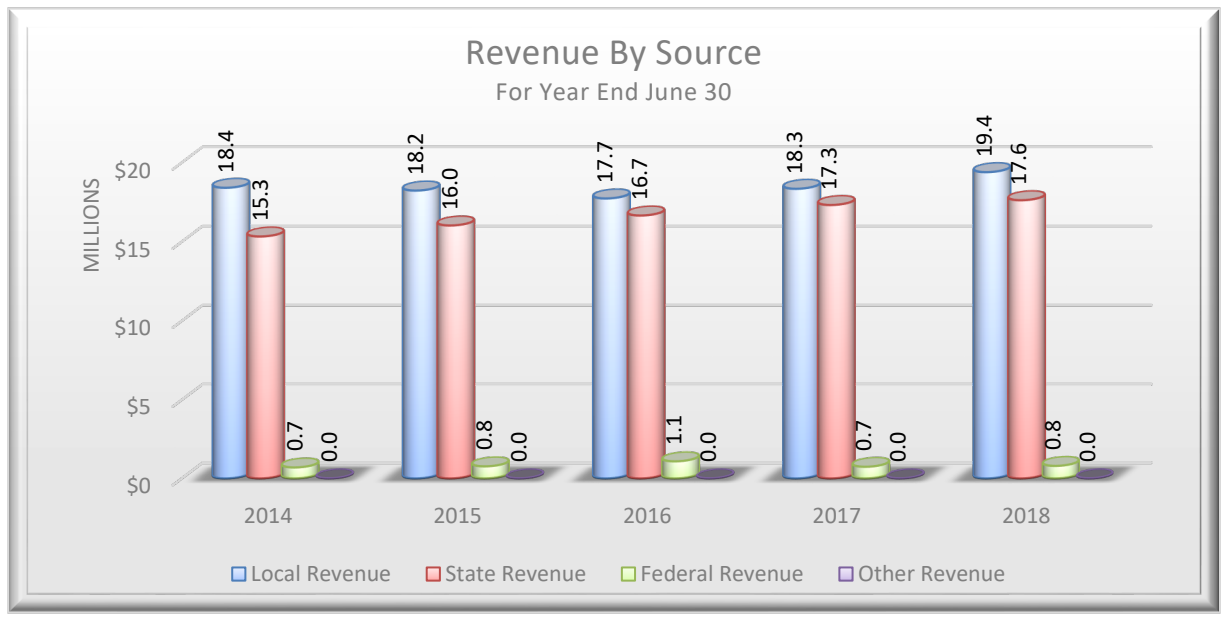
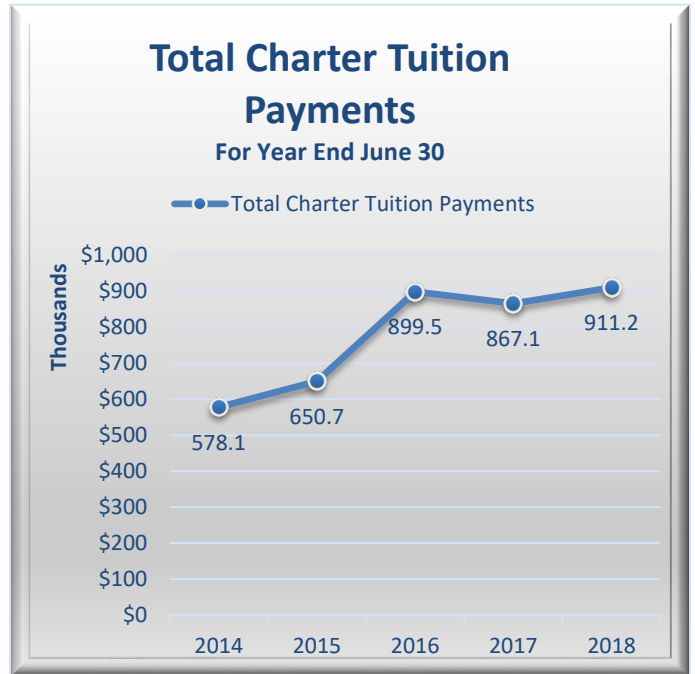
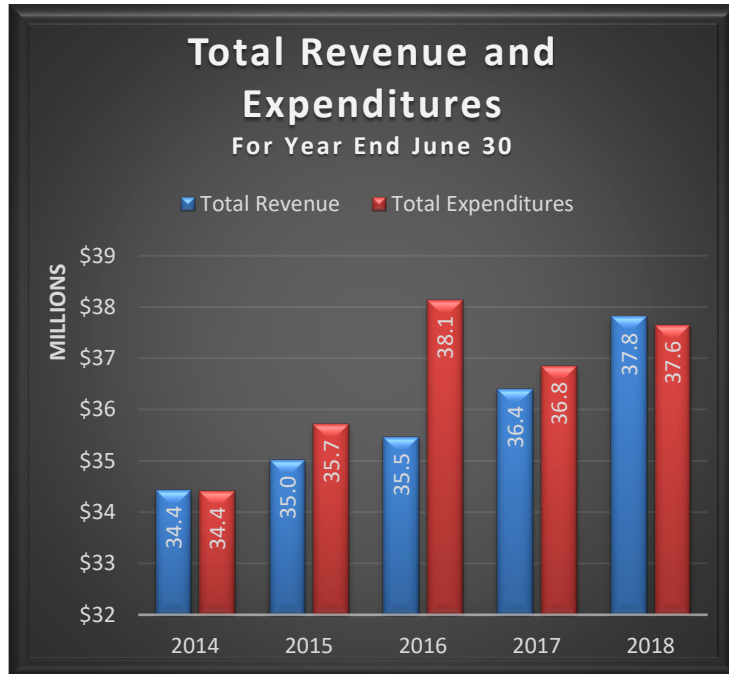


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**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

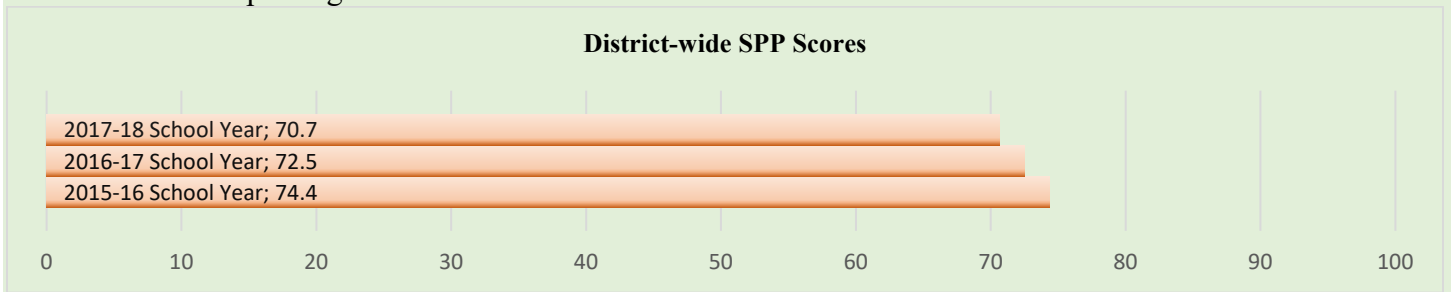


## Academic Information

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2015-16, 2016-17, and 2017-18 school years.<sup>1</sup> The District's individual school building scores are presented in Appendix B. These scores are provided in this 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 graph.<sup>2</sup>

### 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 annually using a 0-100 scale for all school buildings in the Commonwealth, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), 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.<sup>3</sup>



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

<sup>2</sup> 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.

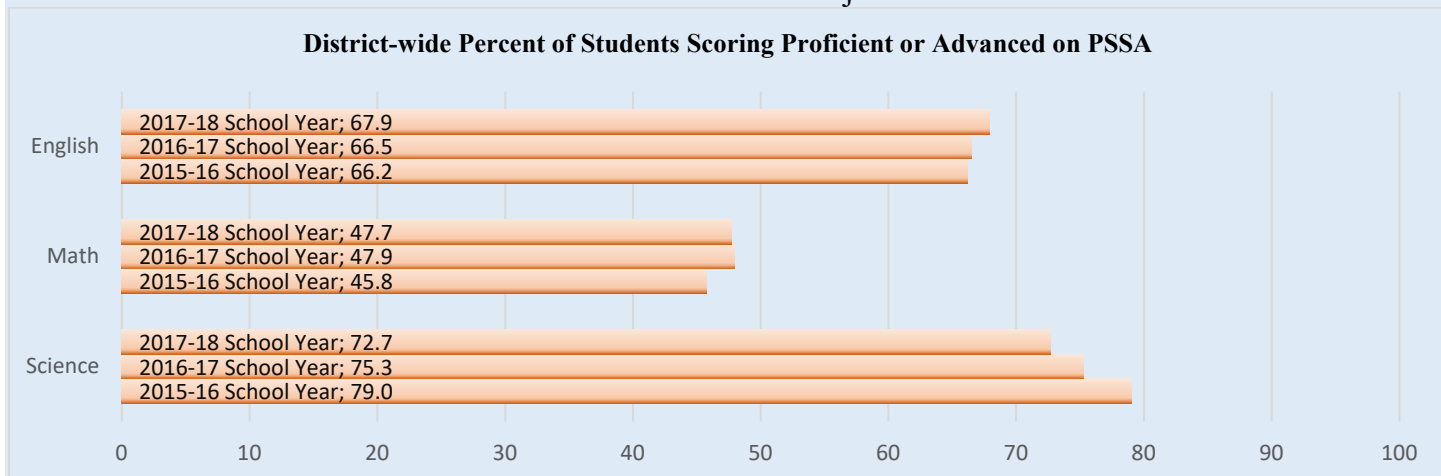
<sup>3</sup> PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

## Academic Information Continued

### What is the PSSA?

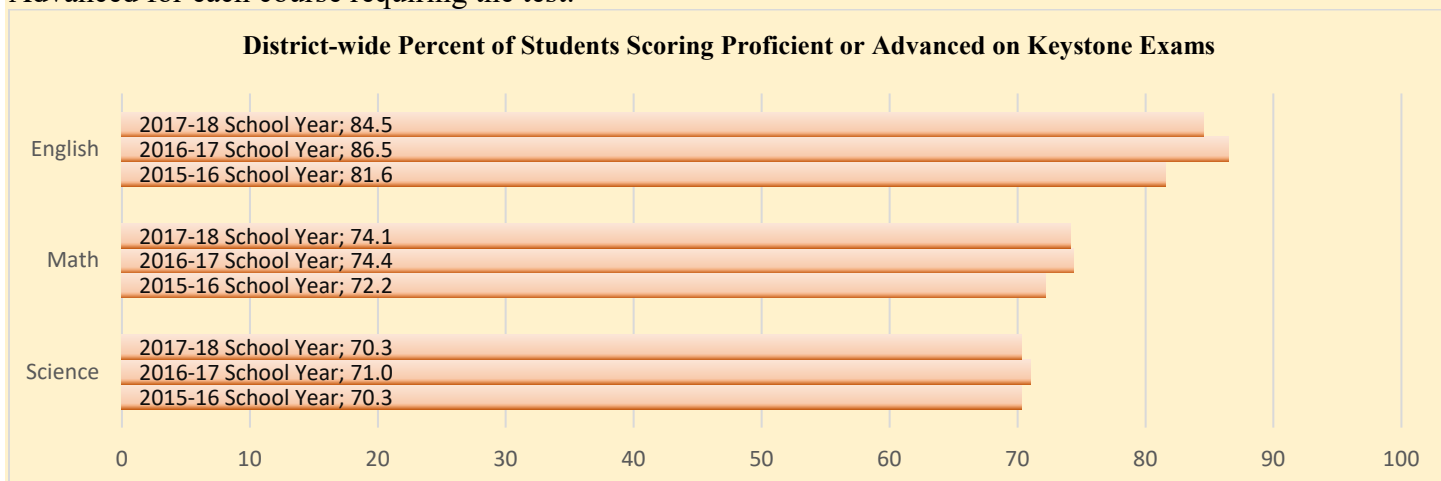
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards. 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 the 2020-21 school year.<sup>4</sup> 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.

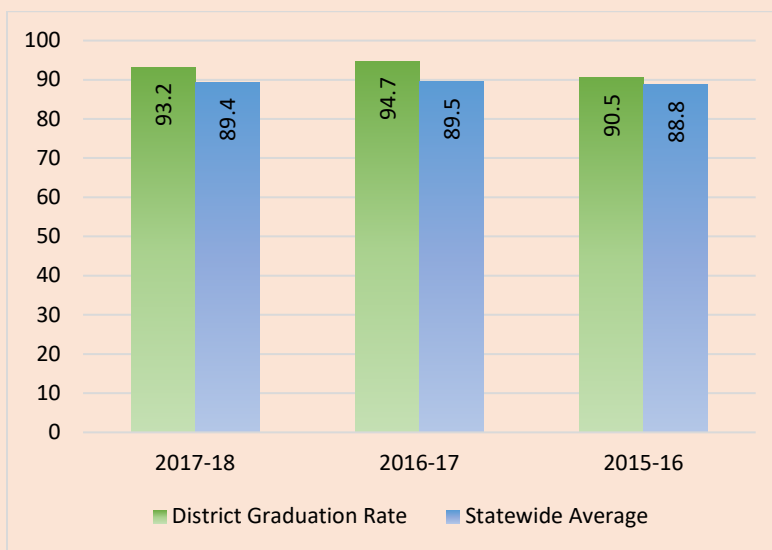


<sup>4</sup> Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. See 24 P.S. § 1-121(b)(1).

## Academic Information Continued

### 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 below.<sup>5</sup>



<sup>5</sup> 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>.

## Findings

### Finding No. 1

### Administrator Salary Increases Were Arbitrarily Awarded Without Board Approval and Without Performance Evaluations

#### *Criteria relevant to the finding:*

Section 508 (relating to Majority vote required; recording) of the Public School Code (PSC) states, in part:

“The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects:—\*\*\*fixing salaries or compensation of officers, teachers, or other appointees of the board of school directors.” See 24 P.S. § 5-508.

Section 1164 (relating to Compensation plans for school administrators) of the PSC states, in part:

“(a) As used in this section, the following words will have the following meanings:...School administrator shall mean any employee of the school entity below the rank of district superintendent, executive director....but including the rank of first level supervisor, who by virtue of the assigned duties is not in a bargaining unit of public employees as created under the Act of July 23, 1970....

Our review of the Belle Vernon Area School District’s (District) administrative personnel contract and the administrator’s salaries identified several concerns. We found that the District granted salary increases to four administrators without evidence of performance evaluations having been conducted even though evaluations were a requirement of the District’s Act 93 Agreement.<sup>6</sup> In addition, the salary increases were not approved by the District’s Board of School Directors (Board). Finally, we found that the salary schedule included as part of the Act 93 Agreement did not align with the salary increases provided for in the Agreement, yet the Board voted to approve the salary schedule.<sup>7</sup>

#### Violation of Board Policy/Unapproved Pay Raises

The District’s Board Policy No. 006 specifies that one of the responsibilities of the Board is the “fixing of salaries or compensation of officers, teachers, or other appointees of the Board.” We found that the salaries for two school principals, the school psychologist, and the supervisor of maintenance were increased in the 2015-16 school year by \$980, \$1,145, \$1,096, and \$840, respectively, with no indication of Board knowledge or approval. In a memo dated September 1, 2015, the former business manager notified the four administrators that their salaries were being “adjusted.” The memo did not indicate the reason for these adjustments.

According to current District personnel, it is their understanding that the former superintendent directed the former business manager to implement the salary increases for the four administrators. However, District personnel were unable to provide us with any documentation showing that the pay raise directive came from the former superintendent. Furthermore, District personnel could not provide any evidence that the raises or “adjustments” were ever approved by the Board.

<sup>6</sup> Act 93 Agreement effective for July 1, 2014 through June 30, 2017.

<sup>7</sup> The salary schedule listed each of the 14 administrators covered by the agreement along with their annual salary amount for each of the three years of the agreement.

*Criteria relevant to the finding  
(continued):*

- (a) The purpose of this section is to provide a means by which compensation matters affecting school administrators can be resolved within the framework of a management team philosophy.\*\*\*
- (e) An administrator compensation plan adopted pursuant to this section shall include, but not be limited to, the following items:\*\*\*

(2) [s]alary amounts or a salary schedule..."

See 24 P.S. § 11-1164 (Act 93 of 1984).

Board Policy No. 006 states in part:

“(4)Actions requiring the affirmative votes of a majority of the full membership of the Board:

(p.) Fixing salaries or compensation of officers, teachers, or other appointees of the Board.”

## **Administrator Performance Evaluations Never Conducted**

The Act 93 Agreement, effective July 1, 2014 through June 30, 2017, set the annual salary increases for administrators at 3 percent. The Agreement also contained provisions for salary increases based on annual performance evaluations to be completed in May of each year. Specifically “Article IV” of the Agreement stated the following:

...each fall the administrator will meet with the superintendent to set mutually agreed upon goals for the new school year. The goals will be for personal growth and development of the administrator, as well as for the improvement of his/her building or department. Each month, a review of job performance and goal progress will take place between the superintendent and Act 93 administrator. In May of each year, the administrator will be evaluated for his / her performance during the prior school year based on performance in the job and level of achievement in predetermined goals. Individual raises will be set based on superintendent’s appraisals for each employee. Increases may range from 2.5% to 4.25% based on the outcome of the evaluation.

We requested the results of performance evaluations for these four administrators to determine if these salary increases were a result of the evaluation process, but District personnel were unable to provide any such performance evaluations. Upon further questioning of current administrators, it was discovered that no such Act 93 required evaluations had been conducted, not only for the four administrators mentioned above, but the former superintendent also did not conduct evaluations for any of the other 10 administrators covered by the Agreement.

## **Act 93 Agreement Salary Schedule Discrepancies**

We reviewed the salary schedule included as Addendum A of the Act 93 Agreement and found several discrepancies. The first sentence at the top of the salary schedule states, “Base increase of 3%.” The schedule provides the annual salary for each of the 14 administrators for each of the three years of the Agreement. We calculated the percentage increase for each year for each administrator and determined that the increases in 2015-16 ranged from a low of 1.5 percent to a high of 5.2 percent, and the increases in 2016-17 ranged from 1.5 percent to 3 percent. Furthermore, the adjustments to the salaries of the four administrators previously mentioned were not included in the salary schedule.

When we asked District officials for an explanation for the range of increases noted on the salary schedule, they could not provide one. We then interviewed two board members to determine their understanding of the Agreement. Based on these interviews, we determined that the Board

never reviewed the calculations on the salary schedule and it appears that the Board was unaware that the salary increases covered a range above and below the base increase of 3 percent. The majority of the Board voted to approve the Act 93 Agreement with the understanding that each administrator would receive at least a 3 percent salary increase each year with a possibility of an additional increase based on the results of the performance evaluations that were required to be conducted by the former superintendent.

## **Summary**

The lack of transparency in the granting of salary increases to administrative employees, coupled with weak oversight by the Board in the approval and understanding of the Act 93 Agreement, resulted in salary increases greater than contractually stipulated being arbitrarily awarded to several District administrators.

Providing increases to administrator's salaries without the appropriate approval of the majority of the Board violates the District's own policy, the Public School Code,<sup>8</sup> and the Act 93 Agreement. The former business manager should have made efforts to inform the Board of this directive by the former superintendent. Withholding this information from the Board violates the business manager's duties to the Board, particularly as the former business manager also served as board treasurer. Additionally, the Board failed in its governance responsibilities when it did not ensure that the former superintendent fulfilled the Act 93 contractual obligations of setting annual goals and conducting performance evaluations for each of the District's administrators.

## **Recommendations**

The *Belle Vernon Area School District* should:

1. Conduct an annual review of all administrative employees' salaries to identify and/or prevent unapproved salary adjustments.
2. Establish a clear chain of command and a transparent review process for all pay increases for administrators.
3. Review all policies and procedures to ensure that the concept of administrative pay increases are addressed in accordance with policy and the Act 93 Agreements.
4. Require the Superintendent to conduct employee performance evaluations in accordance with the Act 93 Agreement. The Superintendent should also present a summary of the results of the

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<sup>8</sup> 24 P.S. § 5-508.

evaluations to the Board to evidence compliance with the Act 93 Agreement.

### **Management Response**

District management provided the following response:

“The previous superintendent, Dr. John Wilkinson, did not conduct annual evaluations on any of the employees. He had the Act 93 members complete a form that was not PDE approved that outlined goals but he never completed the follow through of meeting and finalizing any paperwork. Four of the Act 93 members that were given raises were not presented to the board for the increases that was [sic] outside of the confines of the Act 93 Agreement. The School Board was not made aware of the increases nor were other members of the Act 93 group that did not receive a raise.

### **Recommendations**

- 1. Conduct an annual review of all administrative employee's salaries to identify and/or prevent unapproved salary adjustments.**
  - a. The Business Manager will calculate the Act 93 member salaries based on the current Act 93 Agreement by June 15<sup>th</sup> preceding the applicable year.
  - b. He/she will submit in writing the calculations to the Superintendent in writing.
  - c. The Superintendent will review for accuracy and compliance with the Act 93 agreement.
  - d. The Superintendent will then respond in writing to the Business Manager any necessary changes/corrections.
- 2. Establish a clear chain of command and a transparent review process for all pay increases for administrators.**
  - a. Please see the procedures outlined in number 1.
- 3. Review all policies and procedures (in consultation with its solicitor) to ensure that the concept of administrative pay increases are address in accordance with policy and the Act 93 Agreement.**
  - a. The District will review the policies and procedures in consultation with the solicitor to ensure that the concept of administrative pay increases are addressed in accordance with policy and the Act 93 Agreement.

4. **Require the Superintendent to conduct employee performance evaluations in accordance with the Act 93 Agreement. The Superintendent should also present summary of the results of the evaluations to the Board to evidence compliance with the Act 93 Agreement.**
- a. [The current Superintendent]...has provided training for all of the Act 93 members on the use of the PDE approved 82-2 Form for evaluation.
  - b. Training was provided...[by a] Westmoreland Intermediate Unit [trainer] on July 16, 2019.
  - c. The Act 93 Agreement was revised to reflect the use of the 82-2 Form. It was approved by the School Board at the July 22, 2019 regular voting meeting.
  - d. [The current Superintendent]...created a Google classroom for the members to access regarding the process of the 82-2 evaluation.
  - e. The Act 93 members are currently submitting their goals for the year in system.
  - f. All members will be evaluated using the 82-2 Form by June 30<sup>th</sup> of each school year going forward.
  - g. The [current] Superintendent will present a summary of the evaluations to the school board at the July or August board meeting.”

#### **Auditor Conclusion**

We are pleased that the District agrees with our finding and that the District has initiated appropriate corrective actions based upon our recommendations. We will review the effectiveness of these and any other corrective actions taken by the District during our next audit.

## Finding No. 2

## The District Did Not Comply with the Tuition Reimbursement Requirements of Its Act 93 Agreement

### *Criteria relevant to the finding:*

#### **Act 93 of 1984 (Compensation plans)**

Section 1164 (relating to Compensation plans for school administrators) of the PSC provides, in part:

“(a) ‘Administrative compensation’ shall mean administrator salaries and fringe benefits and shall include any board decision that directly affects administrator compensation such as administrative evaluation and early retirement programs... (b) The purpose of this section is to provide a means by which compensation matters affecting school administrators can be resolved within the framework of a management team philosophy. (c) School employers, upon the written request of a majority of the school administrators in the district, shall be required to meet and discuss in good faith with the school administrators on administrator compensation prior to adoption of the compensation plan. (d) School employers shall be required to adopt written administrator compensation plans which shall apply to all eligible school administrators, as provided in this section, and which shall continue in effect until a time specified in the compensation plan, but in no event for less than one school year.

Our review of the District’s tuition reimbursements disclosed instances of noncompliance with contractual requirements and board policies. We found that the District:

- Pre-paid \$20,608 in tuition payments on behalf of two administrators (Administrators A and B) rather than paying these funds as reimbursements as required.
- Reimbursed another administrator (Administrator C) \$4,862 for tuition credits taken prior to employment with the District.
- Reimbursed Administrator C an additional \$7,134 for tuition credits taken during employment with the District without Board approval.
- Failed to require Administrator A to re-pay the tuition reimbursement when the administrator separated from the District less than one year from the reimbursement date.

### **Act 93 Agreement Benefits<sup>9</sup>**

The District’s Act 93 Agreement with its Administrative Personnel,<sup>10</sup> effective July 1, 2014 through June 30, 2017, contained a provision that allowed for a 100 percent tuition reimbursement for graduate study courses. The request for tuition reimbursement was required to be approved by the Superintendent and the Board. The Agreement also indicated that an administrator is required to pay back the reimbursement if they separate employment less than three years after the date of the reimbursement.

The District’s subsequent Act 93 Agreement, effective July 1, 2017 through June 30, 2020, also contained the tuition reimbursement provision but added a couple of conditions. Specifically, the Agreement indicated that the reimbursement would be provided upon satisfactory completion of the course with a B- or above average. In addition, the Agreement placed a \$20,000 maximum lifetime cap on the reimbursement for each administrator.

### **Tuition Pre-Payments**

We found that the District made tuition payments totaling \$20,608 directly to a university on behalf of two administrators. The payments were made prior to the administrators taking the courses. These payments did not

<sup>9</sup> Act 93 of 1984 requires school boards to adopt an administrator compensation plan with a description of salary and benefits. *See* 24 P.S. § 11-1164. [https://www.ppsba.org/wp-content/uploads/2016/08/5Intro\\_School\\_Law.pdf](https://www.ppsba.org/wp-content/uploads/2016/08/5Intro_School_Law.pdf), beginning on page 74. (Accessed on September 10, 2019).

<sup>10</sup> Act 93 excluded positions include: Superintendent, Assistant Superintendent, Business Manager, and Personnel Director. *Ibid.*

*Criteria relevant to the finding  
(continued):*

(e) An administrator compensation plan adopted pursuant to this section shall include, but not be limited to, the following items: (1) A description of the program determining administrative salaries. (2) Salary amounts or a salary schedule. (3) A listing of fringe benefits. (f) School employers and school administrators shall continue to be subject to the act of June 30, 1947 (P.L. 1183, No. 492), referred to as the Public Employee Anti-Strike Law.” See 24 P.S. § 11-1164.

**Board Policy Number 333-  
Professional Development**

*Graduate/Special Courses*

“Only courses of study that are preapproved shall be eligible for reimbursement by the district or change in compensation for the employee. Documentary evidence of satisfactory completion of all study programs shall be required. Reimbursement for credits for approved graduate study or special courses shall be made in accordance with the terms of the administrative compensation plan or an individual contract, or collective bargaining agreement.”

**Act 93 Agreement (2014-2017):  
Article III- Fringe Benefits**

“4. Tuition Reimbursement  
The District will provide 100% cost of tuition for graduate study. The Administrator’s graduate program must be approved by the Superintendent and the Board of School Directors and show that it is beneficial to the District as well as to the Administrator. If the Administrator leaves the District, he/she will be required to pay back the amount of reimbursement according to the following conditions:

If the administrators leave prior to a year from the reimbursement date, the administrator will pay back 100% of the tuition costs.

comply with the Act 93 Agreement or the District’s Policy No. 333 that stipulated tuition reimbursement would be made upon satisfactory completion of the course. More specifically, the policy states, “Documentary evidence of satisfactory completion of all study programs shall be required.” The advance payments negated the requirement of satisfactory completion of the course prior to reimbursement.

During the first semester that these two administrators attended the university, they were required to make payment in full and then request reimbursement from the District. However, for reasons the current administration could not explain, the tuition for the next semester was paid by the District directly to the university prior to the courses being completed. It should be noted that this advance tuition payment method rather than the usual reimbursement method was not afforded to any other administrators.

**Tuition Reimbursed Prior to Being Employed by the District**

The District reimbursed Administrator C more than \$4,800 for graduate school tuition credits she earned prior to her employment with the District. Administrator C was approved for hire at the February 24, 2014 board meeting, with an official start date of March 31, 2014. At the April 24, 2014 board meeting, the Board approved her graduate credit tuition reimbursement for credits earned from January to April 2014.

Therefore, the Board approved tuition reimbursement for courses taken for three months before Administrator C was employed by the District. The Act 93 Agreement does not contain a provision to allow for reimbursement of courses taken prior to employment.

**No Board Approval**

In August 2016, Administrator C was reimbursed \$7,134 for tuition credits earned in June/July 2016. We noted that the reimbursement request was approved by the former Superintendent. However, our review of the board meeting minutes from January to August 2016 found no motions to approve payment for this reimbursement request. Pursuant to the Act 93 Agreement, all tuition reimbursements must be approved by both the Superintendent and the Board.

**Failure to Require Tuition Payback**

Administrator A was approved for hire on April 23, 2012. Her employment with the District was covered under the Act 93 Agreement; therefore, she was eligible for tuition reimbursement. We found that the District paid \$40,899 in tuition costs for Administrator A for graduate

*Criteria relevant to the finding  
(continued):*

- a. If the administrator leaves one year to two years from the reimbursement date, the administrator will pay back 50% of the tuition costs.
- b. If the administrator leaves three or more years from the reimbursement date, there will be no reimbursement of the tuition costs."

**Act 93 Agreement (2017-2020):**

**Article III – Fringe Benefits**

"5. Tuition Reimbursement, states in relevant part:

The maximum lifetime district contribution for certification/graduate programs will be capped at \$20,000. Any member of Act 93 who may exceed the \$20,000 maximum and chooses to seek reimbursement must secure approval from the Superintendent and Board of School Directors. The Act 93 agreement also states that Act 93 member's certification/graduate program must be approved by the Superintendent and the Board of School Directors and show that it is beneficial to the District as well as to the Act 93 member."

(Note: the 2017-2020 Agreement contains the identical tuition pay back language as the 2014-2017 Agreement)

credits taken from 2016 through 2018. The Act 93 Agreement, effective for the period of 2017-2020, placed a \$20,000 cap on tuition reimbursements for each administrator unless approved by the Board. We found that the Board approved payments to Administrator A that went beyond the maximum.

In June 2018, the District executed a separation agreement with Administrator A, accepting her immediate resignation. As previously mentioned, the Act 93 Agreement requires that administrators repay the District for the tuition reimbursements if the administrator does not remain employed with the District for at least three years after the reimbursement date. Since Administrator A resigned from the District effective June 2018, less than one year from tuition reimbursement date, she should have been required to pay back most of the tuition reimbursement payments she received.

Our review of Administrator A's separation agreement found that the Board agreed to waive the requirement that she reimburse the District for any graduate school or other tuition paid by the District on her behalf. The Board was aware of a "personal situation" involving the former Superintendent and Administrator A, and therefore, believed it was in the District's best interest to execute the separation agreement that included the waiver for the tuition repayment.

While we understand the need to deviate from policy under unusual circumstances, in this instance, Administrator A was afforded benefits that did not align with the Act 93 Agreement—reimbursements substantially beyond the maximum and a waiver of the payback provision. We urge the District and the Board to carefully consider the message it sends to the entire organization when granting certain employees special privileges.

## **Conclusion**

While tuition reimbursement is a normal part of Act 93 agreements in many school districts and serves as an incentive for staff improvement and professional development, the benefit is most effective when properly managed. As detailed in this finding, we found several instances where the Board and/or the administration did not abide by the requirements set forth in the Agreement and in the District's own policy. When school districts negotiate contract terms and requirements of such benefits, they should also implement appropriate and necessary internal controls to ensure compliance with the Act 93 requirements. If these controls are disregarded or circumvented by either the board or the administration, then these contractual requirements become meaningless and control of this expense is lost.

## Recommendations

The *Belle Vernon Area School District* should:

1. Review requests for tuition credit reimbursement thoroughly to ensure that the requests fall within an administrator's employment with the District.
2. Implement internal controls to ensure that District management is presenting all tuition credit reimbursements requests to the Board for approval.
3. Implement detailed written procedures to help ensure compliance with the Act 93 Agreement provisions requiring evidence of satisfactory completion prior to reimbursing administrators for tuition credits.

## Management Response

District management provided the following response:

"The problem was caused by the previous administration not having proper procedures and/or not following the procedures that were in place regarding tuition reimbursement. In response to the finding and the recommendations, the District offers the following:

- 1. Review requests for tuition credit reimbursement thoroughly to ensure that the requests fall within an administrator's employment with the District.**
  - a. The following procedures are in place for Act 93 Tuition Reimbursement:
    - i. An employee submits a prior approval form to the Superintendent. The Superintendent reviews the request to determine that it is appropriate and approves it by signing the form. Also, the Business Manager reviews the request to determine if the employee is eligible for the reimbursement and has not exceeded the maximum amount established in the Act 93 Agreement.
    - ii. The form is then given to the Business Manager who enters the information into a spreadsheet to track the tuition reimbursement requests by employee. The prior approval form is kept on file in the Business Manager's office.
    - iii. After an employee completes the course(s), a request for reimbursement, proof of payment of the tuition and the grades for the courses taken are submitted to the Business Manager. The Business Manager checks for the following:
      1. The prior approval form agrees to the request for reimbursement.
      2. The courses were taken and paid for by employee. No prepayment of tuition is allowed.

3. The tuition rates do not exceed the per credit limits.
  4. The employee has not exceeded the maximum reimbursement amount established in the Act 93 Agreement.
  5. Reviews grades for the courses to determine if employee met the grade requirements established in the Act 93 Agreement.
  - iv. After determining that the conditions above were met, the Business Manager submits the request for reimbursement along with all supporting documentation to the Superintendent for approval prior to being added to the board agenda.
  - v. After the above steps, the tuition reimbursements are approved by the school board at the monthly meetings.
  - vi. The reimbursements are paid to applicable employees after the board has officially approved them. Payments are made to employees for reimbursement of costs. No payments are to be paid directly to a college or university.
- 2. Implement internal controls to ensure that District management is presenting all tuition credit reimbursements requests to the Board for approval.**
- a. The District understands the importance of monitoring and paying tuition reimbursement to employees. As a result, the procedures listed above were established to maintain proper internal controls over the process.
- 3. Implement detailed written procedures to help ensure compliance with the Act 93 Agreement provisions requiring evidence of satisfactory completion prior to reimbursing administrators for tuition credits.**
- a. The District has implemented the procedures listed in Item #1 to monitor and pay tuition reimbursement to ensure adherence to guidelines established in the Act 93 Agreement.”

### **Auditor Conclusion**

We are pleased that the District agrees with our finding and that the District has initiated corrective actions based upon our recommendations. We continue to emphasize the importance of developing and following written procedures that will ensure compliance with contractual provisions and provide proper controls over these expenditures. We will review the effectiveness of these and any other actions taken by the District during our next audit.

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

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Our prior audit of the Belle Vernon Area School District resulted in no findings or observations.

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>11</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, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Belle Vernon Area School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).<sup>12</sup> In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered 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>11</sup> 72 P.S. §§ 402 and 403.

<sup>12</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, 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, 2013 through June 30, 2017. 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 Separations
- ✓ Financial Stability
- ✓ 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 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>13</sup> and Public School Employees' Retirement System (PSERS) guidelines?
  - ✓ To address this objective, we reviewed the contracts, settlement agreements, board meeting minutes, board policies, and payroll records for the two administrators who separated employment from the District during the period July 1, 2013 through June 30, 2017. We verified the reason for these separations and reviewed payroll records to ensure that payments were correctly reported to PSERS.
  - ✓ Additionally, we reviewed the District's Act 93 agreements that were in effect during the audit period. We obtained salary schedules, payroll reports, and evidence of District paid tuition for all District employees covered by the District's Act 93 agreement during the audit. We attempted to reconcile all salaries paid to the salary schedules and Act 93 agreements and reviewed to ensure that tuition reimbursement payments made to administrators were in accordance with the Act 93 agreements. Finally, we interviewed current District officials and board members. See Finding No. 1 on page 7 and Finding No. 2 on page 12 of this report for the results of our review of this objective.
- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
  - ✓ To address this objective, we reviewed the District's annual financial reports, General Fund budget, and independent auditor's reports for the 2013-14 through 2016-17 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating

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<sup>13</sup> 24 P.S. § 10-1073(e)(2)(v).

position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Our review of this objective did not disclose any reportable issues.

- Did the District take actions to ensure it provided a safe school environment?<sup>14</sup>
  - ✓ 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 of our review are shared with District officials, PDE, and other appropriate agencies deemed necessary.
- Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances<sup>15</sup> as outlined in applicable laws?<sup>16</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 randomly selected 8 of the 23 bus drivers transporting District students as of February 22, 2019.<sup>17</sup> We reviewed documentation and qualifications of these drivers 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, would ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

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<sup>14</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>15</sup> Auditors reviewed the required state, federal and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

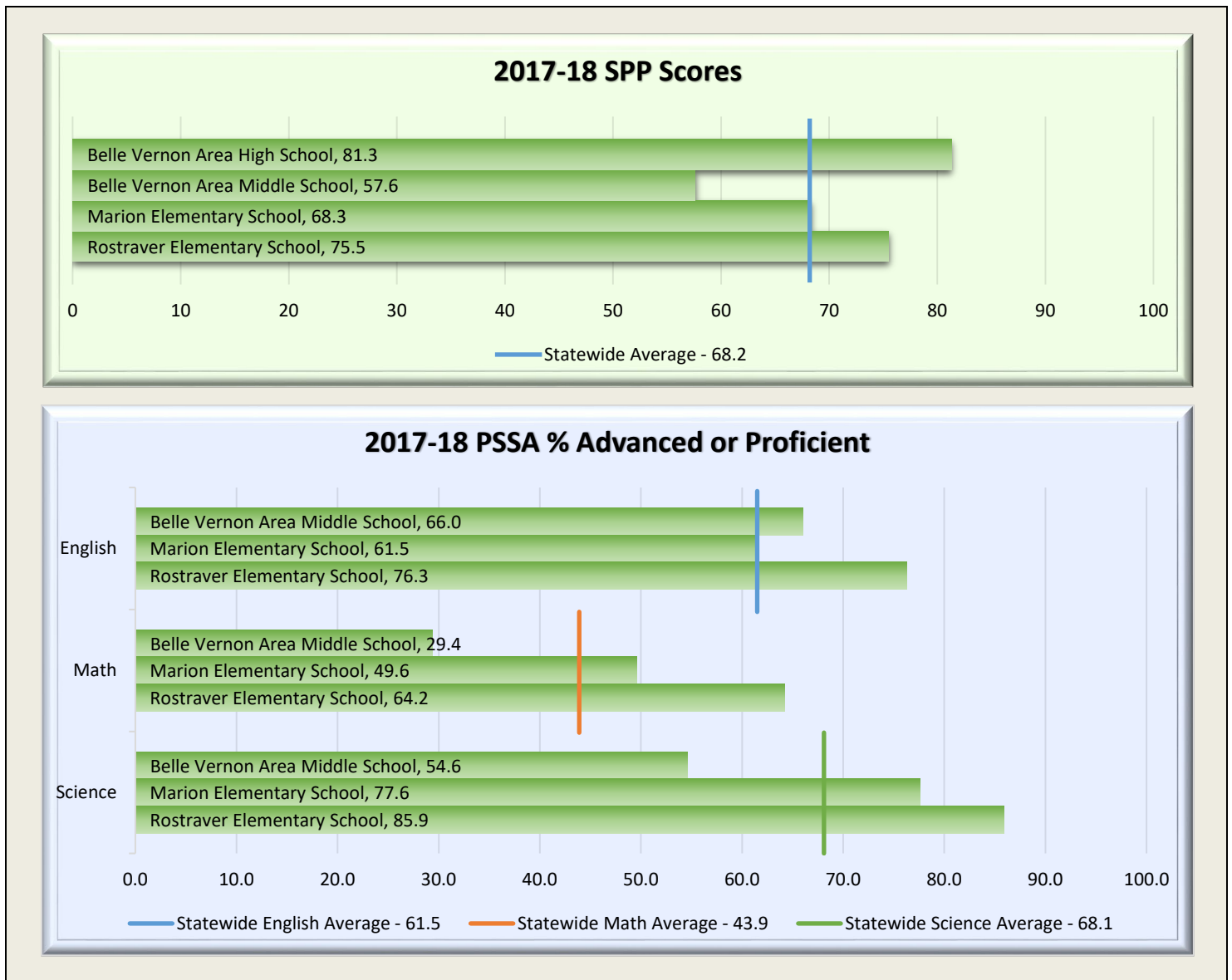
<sup>16</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8.*

<sup>17</sup> 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.

## Appendix B: Academic Detail

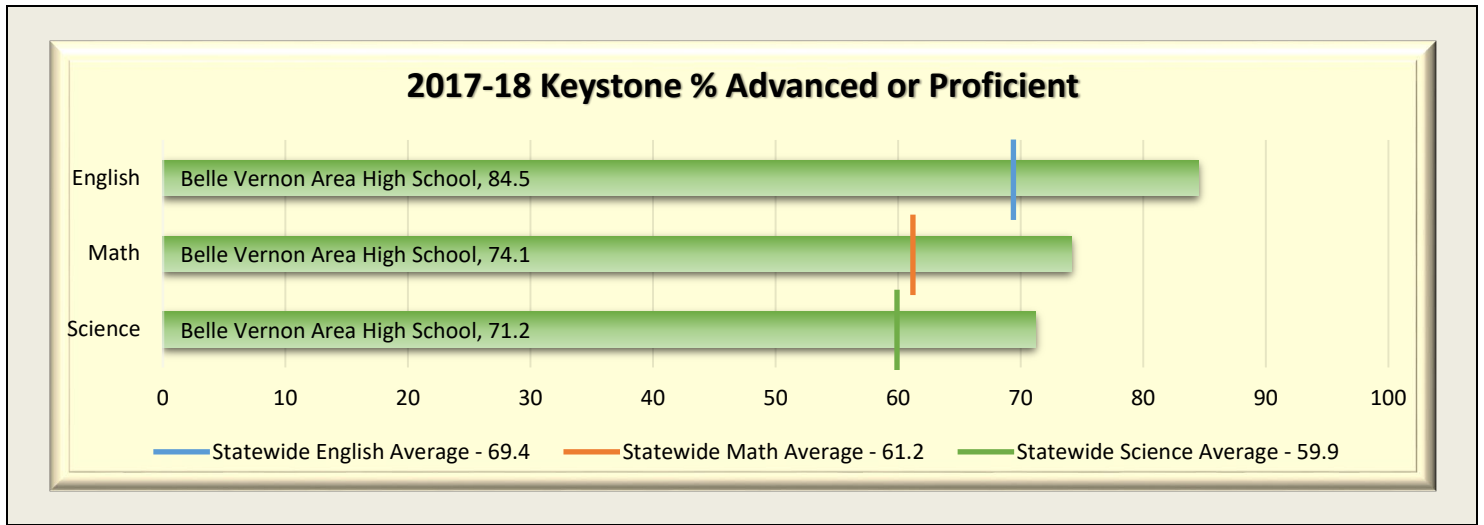
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>18</sup>

### 2017-18 Academic Data School Scores Compared to Statewide Averages

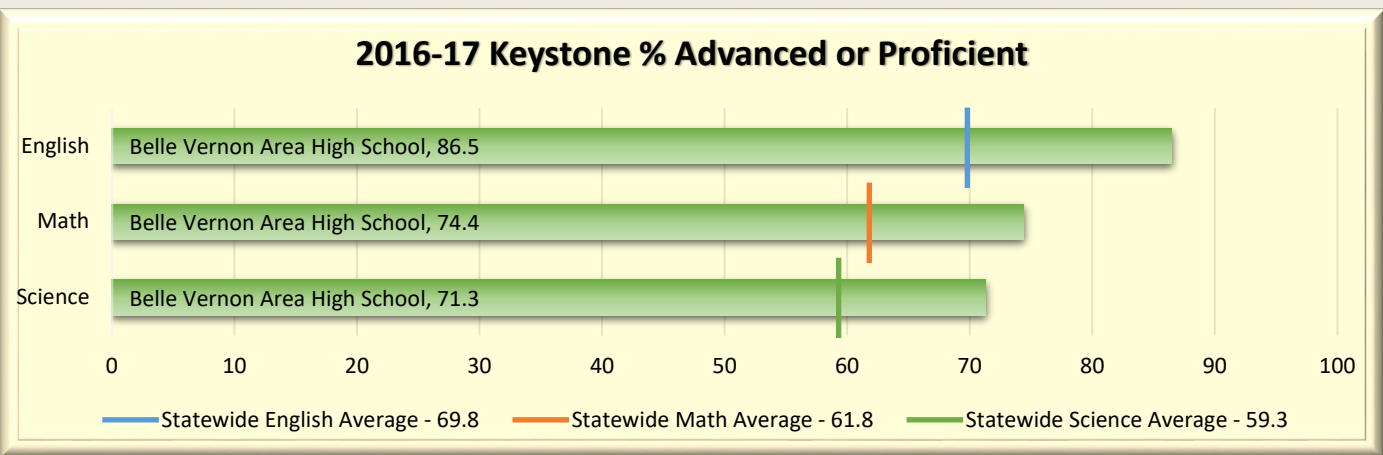
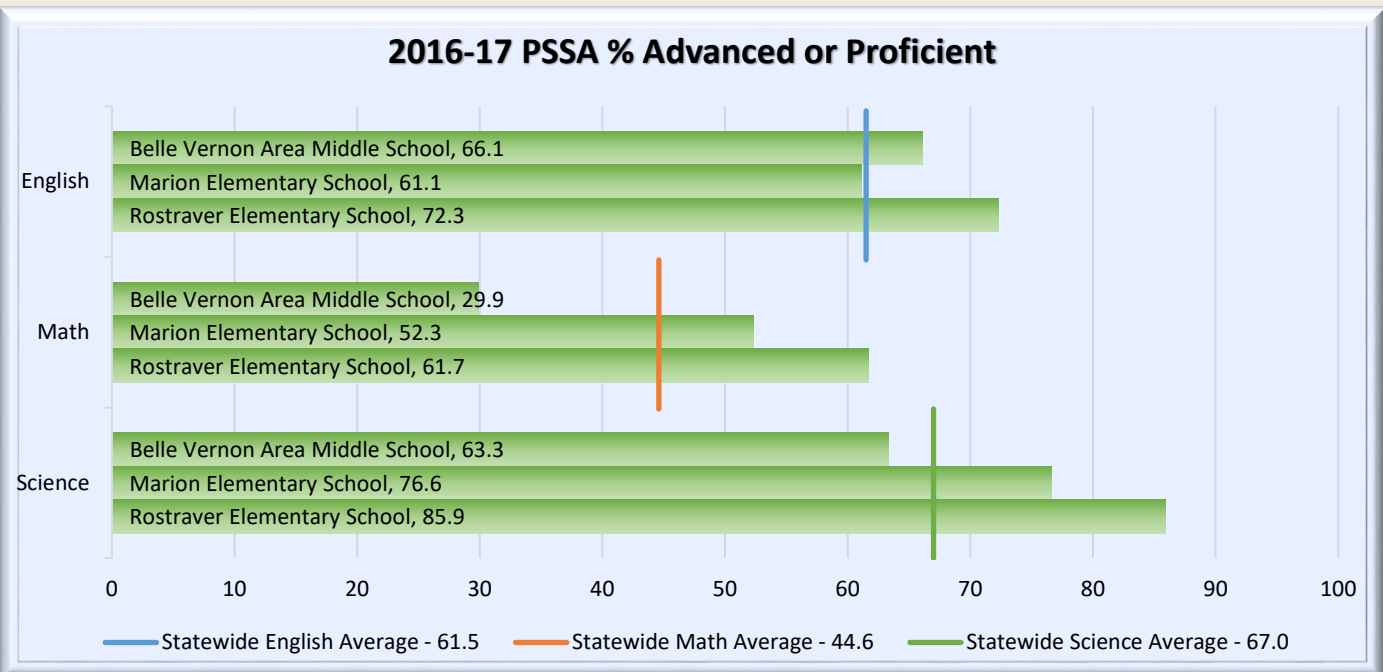
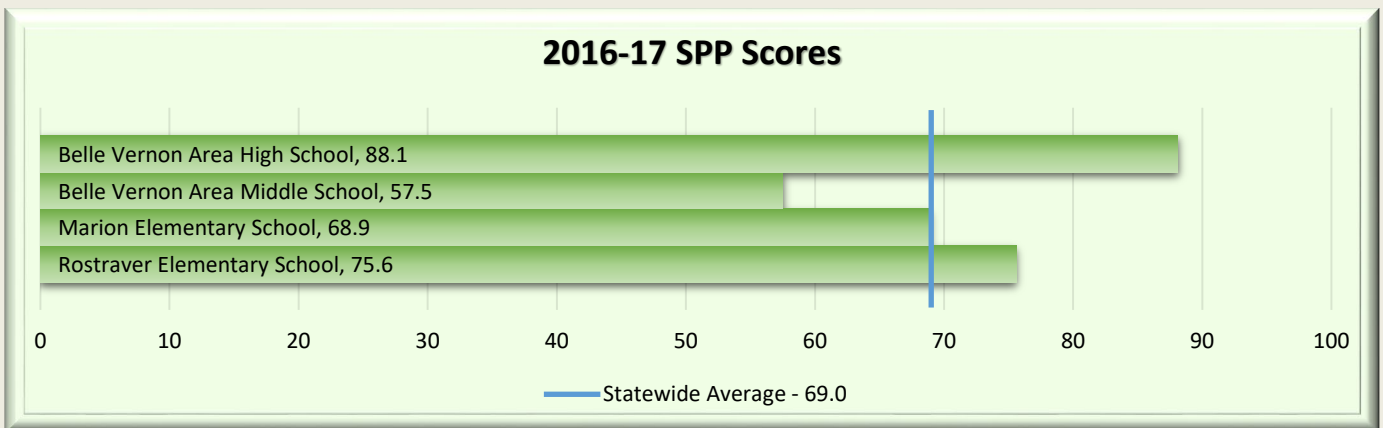


<sup>18</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

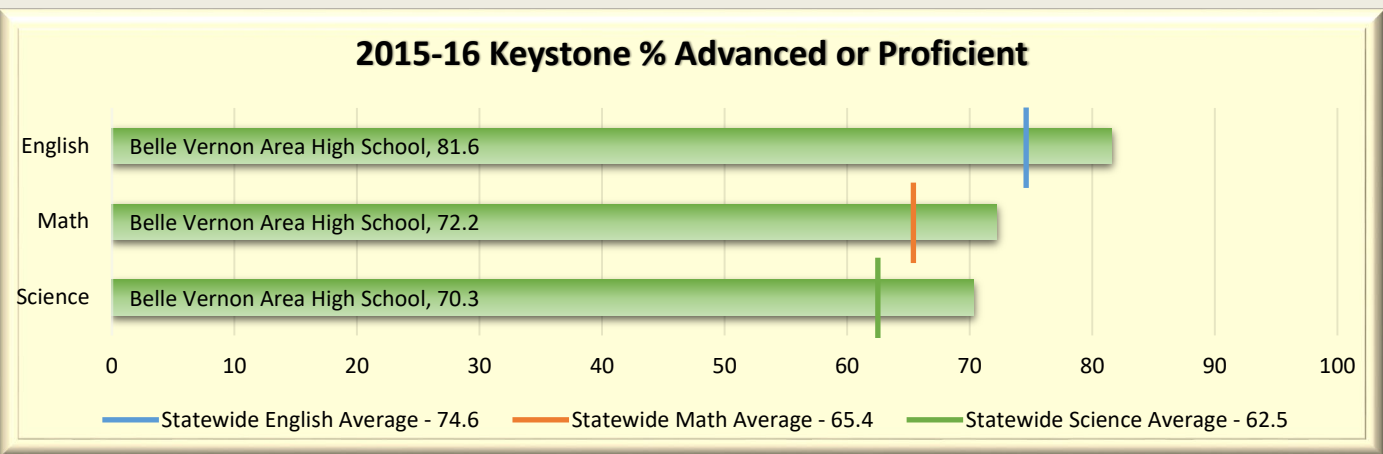
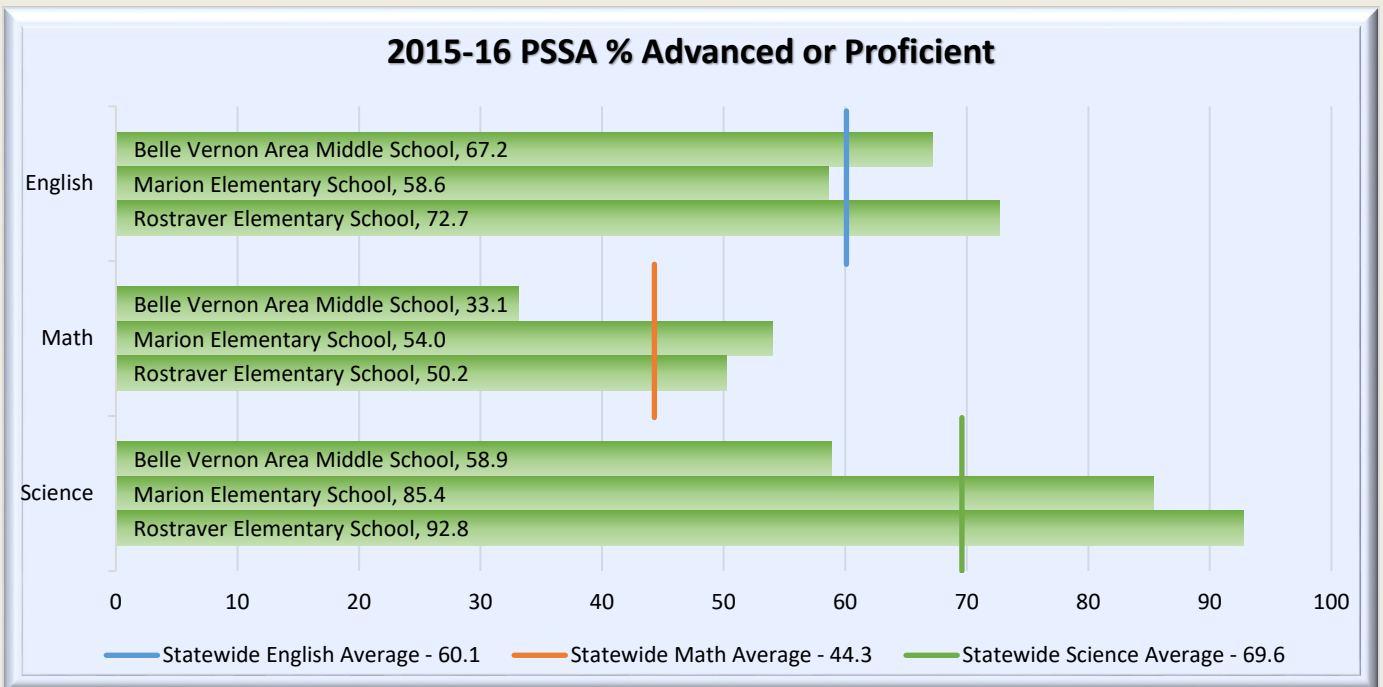
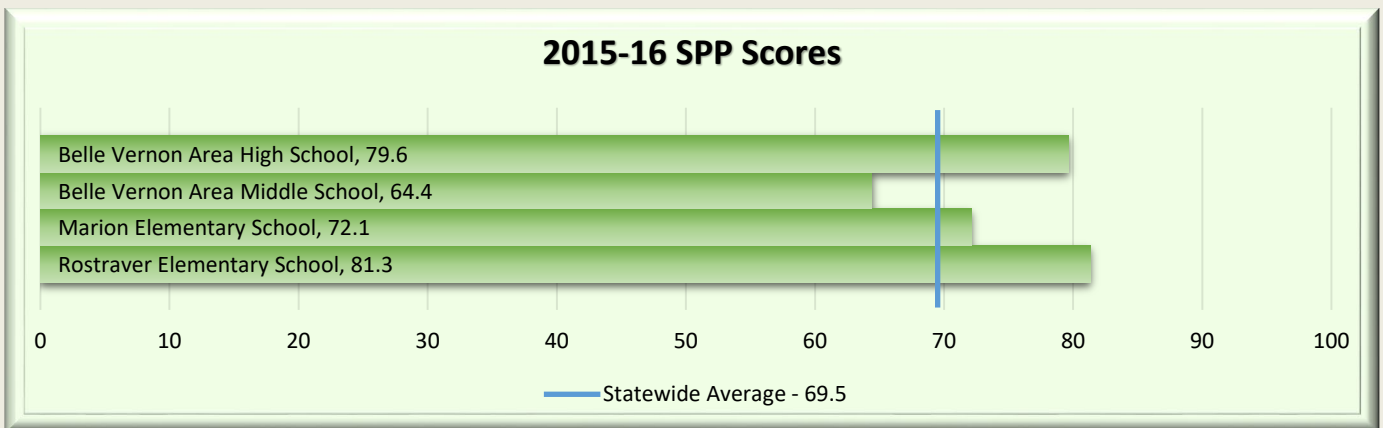
**2017-18 Academic Data**  
**School Scores Compared to Statewide Averages (continued)**



**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**



**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**



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Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

**Dr. David Wazeter**

Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

**Mr. Nathan Mains**

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

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