

PERFORMANCE AUDIT

East Penn School District Lehigh County, Pennsylvania

January 2015



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
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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Alan Earnshaw, Board President
East Penn School District
800 Pine Street
Emmaus, Pennsylvania 18049

Dear Governor Wolf and Mr. Earnshaw:

We conducted a performance audit of the East Penn School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period September 2, 2011 through August 28, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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 administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

During our audit planning procedures, the District's Superintendent informed us of an incident involving potential fraud that occurred during the District's Spring 2013 Pennsylvania System of School Assessment (PSSA) Math Test. This is presented here for informational purposes and discussed in detail in the section *Additional Information of Note*, on page 8 of this report.

Sincerely,

Eugene A. DePasquale
Auditor General

January 23, 2015

cc: **EAST PENN SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the East Penn School District (District) in Lehigh County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period September 2, 2011 through August 28, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 45 square miles. According to 2010 federal census data, it serves a resident population of 54,571. According to District officials, the District provided basic educational services to 8,033 pupils through the employment of 521 teachers, 502 full-time and part-time support personnel, and 38 administrators during the 2011-12 school year. The District received \$24.3 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

Finding: Certification Deficiencies. Our audit of the East Penn School District professional employees' certification and assignments was performed to determine compliance with the Public School Code and the Pennsylvania Department of Education's Certification Manual's Certification and Staffing Policies and Guidelines. Our audit found two (2) employees failed to obtain Level II certificates timely, resulting in lapsed certificates. Our audit also found an English as a Second Language (ESL) teacher was teaching without an ESL certificate (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual 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.

Our audit covered the period September 2, 2011 through August 28, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2010 through December 3, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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 current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's 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, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an

What are internal controls?

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.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that 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.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications, and professional employee certification.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the PSC mandates any school district that:

. . . has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education (PDE) but who has not been certificated for his position by the Pennsylvania Department of Education (PDE) . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio . . .

PDE's Certification and Staffing Policy Guidelines (CSPG) No. 7 states, in part:

A Level I (provisional) certificate must be converted to a Level II (permanent) certificate by the end of its validity period in order for an individual to remain entitled to perform the professional duties for which a certificate was issued.

CSPG No. 68 states, in part:

Effective with the school year 2004-05, all individuals providing English Second Language (ESL) educational assistance/services must hold the Program Specialist-ESL certificate.

Certification Deficiencies

Our audit of the East Penn School District (District) professional employees' certification and assignments was performed to determine compliance with the Public School Code (PSC) and the Pennsylvania Department of Education's (PDE) Certification Manual's Certification and Staffing Policies and Guidelines (CSPG's).

Our audit found an elementary school counselor and an English/communications teacher failed to timely obtain Level II certificates, resulting in lapsed certificates from September 2010 through February 1, 2014, when they received permanent certificates.

Our audit also found an English as a Second Language (ESL) teacher was teaching without an ESL certificate from September 2010 through February 1, 2014, when proper certification was received.

Information regarding the individuals in question was submitted to PDE's Bureau of School Leadership & Teacher Quality (BSLTQ) for review. On June 13, 2014, BSLTQ determined that the three (3) employees were not properly certified. The District will be subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Subsidy Forfeitures</u>
2013-14	\$ 5,992
2012-13	10,998
2011-12	11,071
2010-11	11,219
Total Forfeitures	<u>\$39,280</u>

It is the responsibility of District management to have in place internal policies and procedures to ensure that employees are both properly certified and up-to-date with their certification. A lack of appropriate internal controls can lead to uncertified persons teaching classes and to a possible loss of state subsidy.

Recommendations

The *East Penn School District* should:

1. Monitor years of service for all non-permanently certified employees.
2. Implement procedures to ensure Level II certificates are obtained in a timely manner.
3. Implement procedures to compare a teacher's certification to the certification requirements of the assignments the District intends to give the teacher.

The *Pennsylvania Department of Education* should:

4. Adjust the District's allocations to recover the subsidy forfeitures imposed on the District.

Management Response

Management stated the following:

“The audit uncovered three instances of East Penn School District teachers not possessing up-to-date professional certificates. In each case a teacher had not completed the necessary application to attain a correct certification level. In each case the teacher had met all of the requirements to meet the certification level.

In each situation, the East Penn School District HR department has met with the teacher and assisted the teacher in completing the correct certification form and then directly contacts PDE to expedite the attainment of the proper certifications.”

Auditor Conclusion

We are encouraged that the District corrected the deficiency, but stress the need for internal controls to ensure certification lapses are prevented in the future. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the East Penn School District resulted in no findings or observations.

Additional Information of Note

During our audit planning procedures, the District's Superintendent informed us of an incident involving potential fraud that occurred during the District's Spring 2013 Pennsylvania System of School Assessment (PSSA) Math Test. PSSA Testing is required by Chapter 4 of the State Board of Education Regulations. In March of 2012, a former teacher signed the 2012 PSSA Test Security Certification Form, which addressed security of test assessment materials including among other things that copying, reproduction, or use of any assessment or assessment questions was disallowed. However, the former teacher took pictures of the 2012 Math PSSA test items to use as practice worksheets in preparation for 2013 Math PSSA tests. The former teacher later posted the 2012 PSSA test items on his website and distributed them to students as three (3) PSSA practice worksheets. After completion of the Spring 2013 PSSA testing, students informed the former teacher that a question was similar to one on the practice worksheets that were distributed. The former teacher immediately removed the worksheets from his website and tried to retrieve some of the copies distributed. By April 11, 2013, District personnel became aware of the testing violations.

In May 2013, District personnel notified the Pennsylvania Department of Education's (PDE) Bureau of Assessment and Accountability of the testing violations and requested the Data Recognition Corporation (DRC), who was working in partnership with PDE for PSSA testing services, conduct an item analysis of the three (3) PSSA practice worksheets and related documents retrieved from the former teacher's computer files. The DRC found that all 28 math problems on the three (3) PSSA worksheets were copied directly (or with minor format changes) from the 2012 PSSA and five (5) of the problems were used again on the 2013 PSSA. The worksheets contained problems from thirteen (13) different pages in the 2012 PSSA.

After an internal investigation by the District, the former teacher resigned from his position as a teacher in the District effective August 16, 2013. In September 2013, District personnel sent a letter to parents to notify them of a testing irregularity in the administration of the Math assessment at the Lower Macungie Middle School and that the Spring 2013 scores may not have reflected their child's actual ability on Math concepts tested on the PSSA. Additionally, District management also indicated it has clearly communicated the process for standardized test security with its professional staff both before and after the reported testing violation.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro Rivera
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
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. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.