

# PERFORMANCE AUDIT

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## Penns Valley Area School District Centre County, Pennsylvania

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September 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Brian Griffith, Superintendent  
Penns Valley Area School District  
4528 Penns Valley Road  
Spring Mills, Pennsylvania 16875

Mr. Chris Houser, Board President  
Penns Valley Area School District  
4528 Penns Valley Road  
Spring Mills, Pennsylvania 16875

Dear Mr. Griffith and Mr. Houser:

We have conducted a performance audit of the Penns Valley Area School District (District) for the period January 30, 2012 through May 18, 2015. We evaluated the District's performance in the following areas:

- ü Governance
- ü Hiring and Separations
- ü School Safety
- ü Bus Driver Requirements

We also determined the status of corrective action taken by the District in response to our prior audit recommendations and found that the District implemented these recommendations.

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

September 24, 2015

cc: **PENNS VALLEY AREA SCHOOL DISTRICT** Board of School Directors

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## Background Information<sup>i</sup>

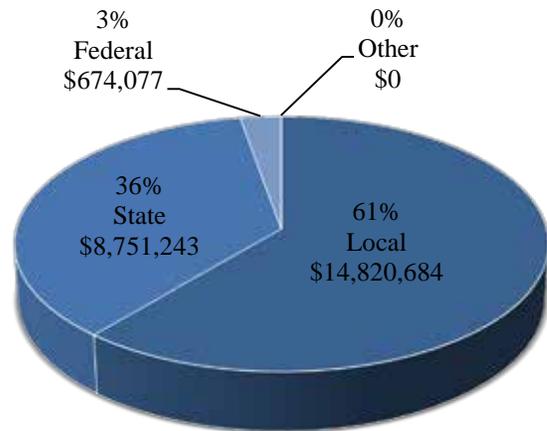
School Characteristics 2014-15 School Year <sup>ii</sup>	
County	Centre
Total Square Miles	254
Resident Population <sup>iii</sup>	11,434
Number of School Buildings	4
Total Teachers	110
Total Full or Part-Time Support Staff	61
Total Administrators	11
Total Enrollment for Most Recent School Year	1,430
Intermediate Unit Number	10
District Vo-Tech School	Central Pennsylvania Institute of Science and Technology

### Mission Statement

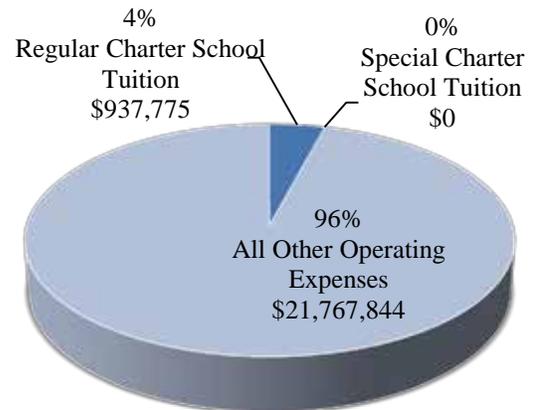
“The Penns Valley Area School District is a rural and progressive community dedicated to the well-being of each student. We seek to create engaged, passionate, and motivated life-long learners who will become contributing members of society. We are committed to effective communication within a supportive and trusting environment that will create a shared understanding between all members of the school community.”

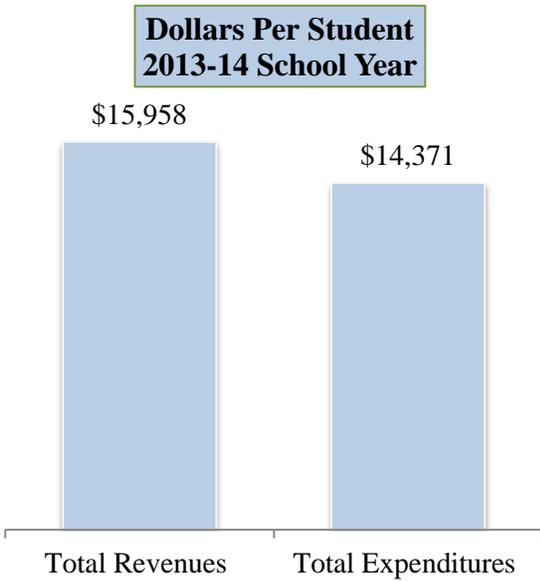
## Financial Information

### Revenue by Source for 2013-14 School Year

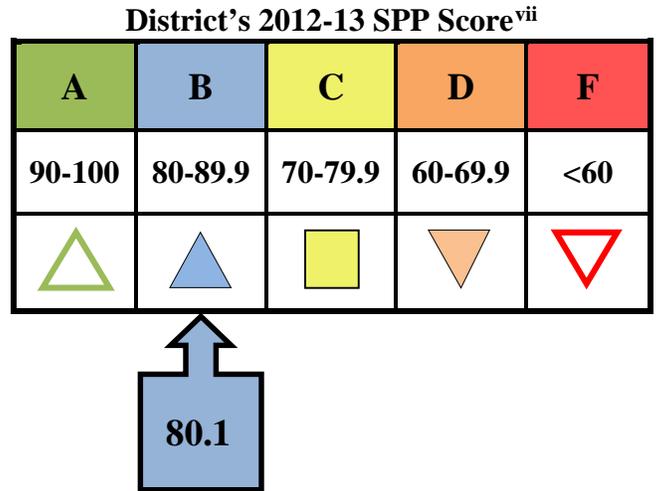
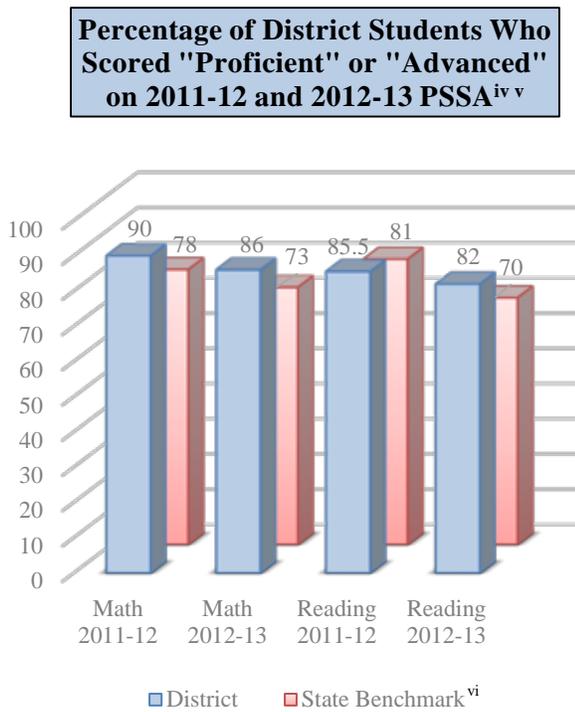


### Select Expenditures for 2013-14 School Year





**Academic Information**



**Individual Building SPP and PSSA Scores<sup>viii</sup>  
2012-13 School Year**

<b>School Building</b>	<b>SPP Score</b>	<b>PSSA % School Proficient and Advanced in Math</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Math</b>	<b>PSSA % School Proficient and Advanced in Reading</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Reading</b>	<b>Federal Title I Designation (Reward, Priority, Focus, No Designation)<sup>ix</sup></b>
Centre Hall-Potter Elementary	82.8	91	73	88	70	Reward
Miles Township Elementary	78.9	91	73	68	70	No Designation
Penns Valley Area Elementary and Intermediate	80.7	85	73	77	70	No Designation
Penns Valley Area JSHS	79.8	86	73	86	70	No Designation

## **Findings and Observations**

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

## Status of Prior Audit Findings and Observations

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Our prior audit of the District released on December 20, 2012, resulted in two findings and one observation. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We interviewed District personnel and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released in December 20, 2012

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**Finding No. 1: Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$21,619**

Prior Finding Summary:

Our prior audit of the transportation records for the 2008-09 and 2009-10 school years found errors in the data reported to the Pennsylvania Department of Education (PDE). The errors were due to District personnel inaccurately reporting the daily mileage, the number of days transportation was provided, and the number of charter school pupils transported. The errors resulted in a net overpayment of \$21,619.

Recommendations:

We recommended that the District should:

1. Continue to provide training for transportation personnel.
2. Strengthen internal controls to ensure accurate reporting of transportation data.
3. Thoroughly review all transportation data for accuracy prior to submission to PDE.
4. Review reports subsequent to the audit period and, if similar errors are found, submit revised reports to PDE.

We also recommended that PDE should:

5. Adjust future District allocations to correct the net overpayment of \$21,619.

Current Status:

During our current audit, District administrators were interviewed to determine whether they had taken corrective action. Documentation was reviewed to verify that the administration had implemented the prior audit report's recommendations. We found that the District did

implement our prior recommendations. PDE recovered the net overpayment from the District on February 27, 2014, when PDE processed the 2008-09 and 2009-10 school years' revisions.

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**Finding No. 2: Errors in Reporting Pupil Membership Resulted in a Net Reimbursement Underpayment of \$7,708 for Non-resident Children Placed in Private Homes**

Prior Finding Summary:

Our prior audit of pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors. The errors resulted in a net underpayment of \$7,708 for non-resident children placed in private homes (foster children).

Prior Recommendations:

We recommended that the District should:

1. Provide training for child accounting personnel.
2. Strengthen internal controls to ensure accurate reporting of pupils.
3. Thoroughly review all child accounting data for accuracy prior to submission to PDE.
4. Review reports subsequent to the audit period and if similar errors are found, submit revised reports to PDE.

We also recommended that PDE should:

5. Adjust future District allocations to correct the net underpayment of \$7,708.

Current Status:

During our current audit, District administrators were interviewed to determine whether they had taken corrective action. Documentation was reviewed to verify that the administration had implemented the prior audit report's recommendations. We found that the District did implement our prior recommendations. As of our fieldwork completion date, May 18, 2015, PDE had not adjusted the District allocations to resolve the underpayment. Therefore, we again recommend PDE resolve the \$7,708 net underpayment.

**Observation:** **The Penns Valley Area School District Lacks Sufficient Internal Controls Over Its Student Record Data**

Prior Observation Summary:

Our prior audit review of the District's controls over student data integrity found that internal controls need to be improved.

Prior Recommendations:

We recommended that the District should:

1. Retain student registration documentation until after the school year is audited.
2. Continue to provide training for the Pennsylvania Information Management System (PIMS) personnel.
3. Strengthen internal controls to ensure accurate reporting of pupils.
4. Thoroughly review PIMS data for accuracy prior to submission to PDE.

We also recommended that PDE should:

5. Continue to provide training for PIMS personnel.

Current Status:

During our current audit, District administrators were interviewed to determine whether they had taken corrective action. Documentation was reviewed to verify that the administration had implemented the prior audit report's recommendations. We found that the District did implement our prior recommendations.

## **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 Section 403 of The Fiscal Code,<sup>1</sup> is not a substitute for the local annual financial audit required by the Public School Code (PSC) 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 January 30, 2012 through May 18, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

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 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.

The District's management is responsible for establishing and maintaining effective internal controls<sup>2</sup> 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 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.

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<sup>1</sup> 72 P.S. § 403

<sup>2</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, grant requirements, 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, financial reports, annual budgets, and new or amended policies and procedures. 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 performance in the following areas:

- Ü Governance
- Ü Hiring and Separations
- Ü School Safety
- Ü Bus Driver Requirements
- Ü Other Operations as Noted

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

- Ü Did the LEA's Board of School Directors (Board) and administration maintain best practices in overall organizational governance?
  - To address this objective, we surveyed the District's current Board, conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.
- Ü Did the LEA follow the PSC and best practices when hiring new staff?
  - To address this objective, we obtained and reviewed the District's hiring policies and procedures. We selected the last three employees hired by the District during the period January 28, 2015 through May 18, 2015, and reviewed documentation to determine if the District complied with the PSC, District policies and procedures, and best practices in hiring new employees. Employees tested included both certified and non-certified employees.
- Ü Did the District take appropriate actions to ensure it provided a safe school environment?
  - To address this objective, we reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted an on-site review at three out of the District's four school buildings to assess whether the District had implemented basic safety practices.

- Ü Did the District ensure that bus drivers transporting District students had the required driver’s license, physical exam, training, background checks, and clearances as outline in applicable laws?<sup>3</sup> Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
  - To address this objective, we selected 5 of the 13 bus drivers hired by either the District or District bus contractors during the school years July 1, 2012 to April 10, 2015, and reviewed documentation to ensure the District complied with the requirements related to bus drivers listed above. We also determined whether the District had written policies and procedures governing the hiring of bus drivers and whether those procedures were sufficient to ensure compliance with bus driver hiring requirements.
  
- Ü Did the District take appropriate corrective action to address findings and implement recommendations made in our prior audit?
  - To address this objective, we interviewed District administrators to determine what corrective action, if any, was taken to address prior audit recommendations. Where appropriate, we obtained documentary evidence and/or performed audit procedures to verify that corrective action was actually taken and those actions were sufficient to address the prior finding.

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<sup>3</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.*

## **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 Timothy Reese**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

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.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).

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<sup>i</sup> Source: School district, PDE, and U.S. Census data.

<sup>ii</sup> Source: Information provided by the District administration.

<sup>iii</sup> Source: United States Census <http://www.census.gov/2010census>

<sup>iv</sup> PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

<sup>v</sup> PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a material weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

<sup>vi</sup> 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 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>vii</sup> SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

<sup>viii</sup> *Id.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

<sup>ix</sup> Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a significant deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.