

PERFORMANCE AUDIT

Dallas School District Luzerne County, Pennsylvania

October 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Thomas Duffy, Superintendent
Dallas School District
2000 Conyngham Avenue
Dallas, Pennsylvania 18612

Ms. Colleen Slocum, Board President
Dallas School District
2000 Conyngham Avenue
Dallas, Pennsylvania 18612

Dear Mr. Duffy and Ms. Slocum:

We have conducted a performance audit of the Dallas School District (District) for the period July 13, 2012 through July 2, 2015. We evaluated the District's performance in the following areas:

- ü Governance
- ü Contracting
- 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 cursive script, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

October 1, 2015

cc: **DALLAS SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

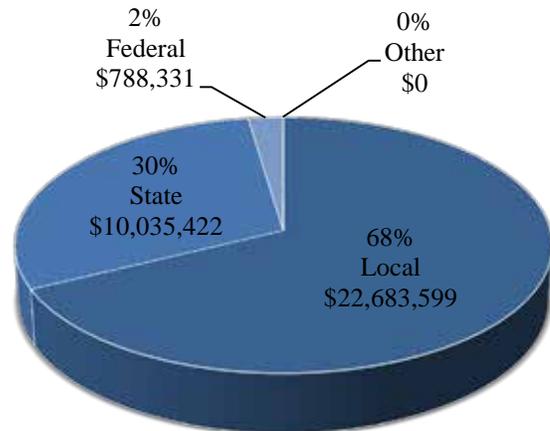
School Characteristics 2013-14 School Year ⁱⁱ	
County	Luzerne
Total Square Miles	46.1
Resident Population ⁱⁱⁱ	20,554
Number of School Buildings	4
Total Teachers	185
Total Full or Part-Time Support Staff	40
Total Administrators	11
Total Enrollment for Most Recent School Year	2,751
Intermediate Unit Number	Luzerne IU 18
District Vo-Tech School	West Side Career and Technology Center

Mission Statement

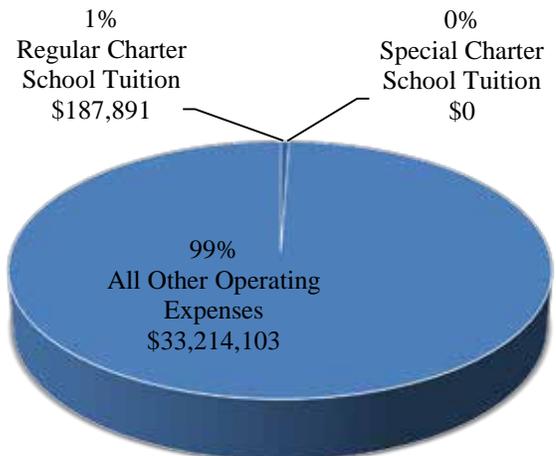
“To educate and develop each student, within a safe and supportive environment, to his or her fullest potential academically, socially, physically, emotionally, and culturally in order to become a responsible, respectful, and productive member of American and global society.”

Financial Information

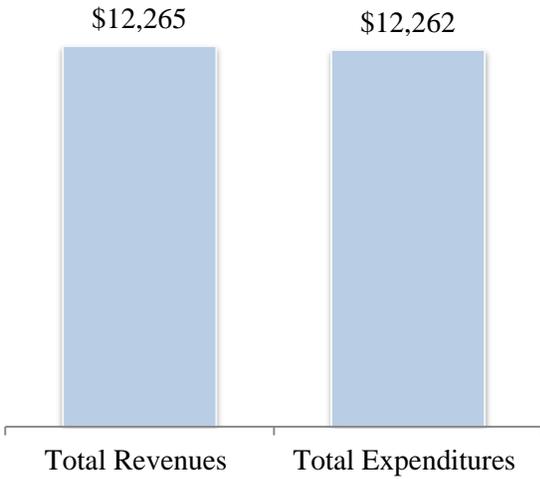
Revenue by Source for 2013-14 School Year



Select Expenditures for 2013-14 School Year

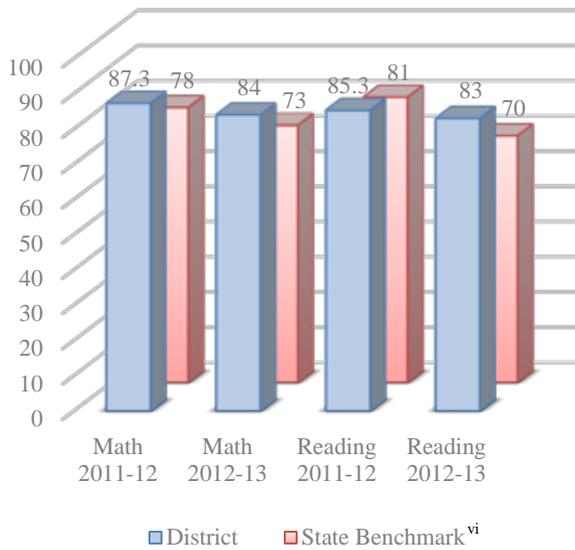


**Dollars Per Student
2013-14 School Year**



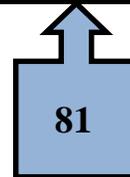
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{iv v}



District's 2012-13 SPP Score^{vii}

A	B	C	D	F
90-100	80-89.9	70-79.9	60-69.9	<60
▲	▲	■	▼	▼



**Individual Building SPP and PSSA Scores^{viii}
2012-13 School Year**

School Building	SPP Score	PSSA % School Proficient and Advanced in Math	PSSA % Statewide Benchmark Proficient and Advanced in Math	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark Proficient and Advanced in Reading	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
Dallas Elementary	93.1	89	73	89	70	Reward
Dallas High School	72.0	65	73	66	70	N/A
Dallas Middle School	76.2	84	73	85	70	N/A
Wycallis Elementary	94.2	93	73	87	70	Reward

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the District released on August 9, 2013, resulted in one finding 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 reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released August 9, 2013

Finding: **Certification Deficiencies**

Prior Finding Summary: Our audit identified a reading specialist employed with a provisional certificate that lapsed in June 2010 and an elementary school teacher employed with a provisional certificate that lapsed in January 2012.

Prior Recommendations: We recommended that the District should:

1. Implement a review process to ensure individuals with provisional certificates receive permanent certificates in a timely manner.
2. Adopt policies and procedures for verifying the status of employees' certifications.

We also recommended that the Pennsylvania Department of Education should:

3. Adjust the District's allocations to recover the subsidy forfeitures of \$8,294 resulting from the deficiencies.

Current Status: During our current audit, we reviewed all provisional certificates and related teaching assignments for the 2014-15 school year. We determined that all tested teachers were properly certified and teaching in their areas of certification. The two teachers cited in the prior audit are now permanently certified. The District has developed procedures for tracking provisional certificates. PDE deducted the subsidy forfeitures from the District's allocations in December 2013.

Observation: The District Entered into a Separation Agreement with Its Former Principal Costing an Additional \$6,000

Prior Observation Summary:

On January 10, 2011, the District’s Board of School Directors (Board) resolved to accommodate the intention of the principal to retire as an employee of the District as of July 15, 2011, and accordingly, approved certain financial provisions with respect to her retirement. The District paid \$6,000 to the principal, essentially for her consent to end her employment. Furthermore, the payment was reported to the Public School Employees’ Retirement System (PSERS) as eligible retirement wages, which we determined may have been improper.

Prior Recommendations: We recommended that the District should:

1. Consider the taxpayers’ expectation that their money will be used for the education of the District’s children when negotiating employment agreements.
2. Ensure that all of the District’s employment agreements are as transparent as possible, so that the District’s taxpayers can evaluate their appropriateness.
3. Contingent upon PSERS’s final determination, report to PSERS only those wages allowable for retirement purposes, as stated in the PSERS Employer’s Reference Manual.
4. Implement procedures for reviewing all salary and contribution reports to ensure that only eligible wages are being reported to PSERS for retirement contributions.
5. Adjust subsequent years’ PSERS wages for employees who received payments that should not have been reported as retirement wages.

We also recommended that the Public School Employees’ Retirement System should:

6. Review the propriety of the wages for the employee reported and make any necessary adjustments.

Current Status: During our current audit period, there were no retirements resulting in questionable payments to PSERS. Our current audit found that the District did implement our prior recommendations.

On November 13, 2014, PSERS notified us that they had reviewed the finding and adjusted the individual’s account accordingly.

Appendix: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,¹ 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 July 13, 2012 through July 2, 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 controls² 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, 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.

¹ 72 P.S. § 403

² 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 Contracting
- Ü School Safety
- Ü Bus Driver Requirements

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 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 District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?
 - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of contracts for goods and services that were in effect for the 2013-14 school year. We selected five out of the ten significant contracts for detailed testing. Testing included a review of the procurement documents to determine if the contract was procured in accordance with the PSC and District policies. We also reviewed documents to determine if the District properly monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board's Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts.
- 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 on-site reviews at three out of the District's four school buildings (one from each education level) 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?³ 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 39 bus drivers hired by District bus contractor, during the period May 23, 2013 to March 31, 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.

³ 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

This report was initially distributed to the Superintendent of the School 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
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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. 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.

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

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

^{iv} 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.

^v 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.

^{vi} 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.

^{vii} 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.

^{viii} *Ibid.* 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.

^{ix} 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 material 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.