

# PERFORMANCE AUDIT

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## Bald Eagle Area School District Centre County, Pennsylvania

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November 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Jeffrey D. Miles, Superintendent  
Bald Eagle Area School District  
751 South Eagle Valley Road  
Wingate, Pennsylvania 16823

Mr. S. Thomas Letterman, Board President  
Bald Eagle Area School District  
751 South Eagle Valley Road  
Wingate, Pennsylvania 16823

Dear Mr. Miles and Mr. Letterman:

We have conducted a performance audit of the Bald Eagle Area School District (District) for the period January 10, 2013 through September 17, 2015. We evaluated the District's performance in the following areas:

- Governance
- Financial Stability
- Hiring and Separations
- School Safety
- Bus Driver Requirements

The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District performed adequately in the areas listed above.

We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

November 25, 2015

cc: **BALD EAGLE AREA SCHOOL DISTRICT** Board of School Directors

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

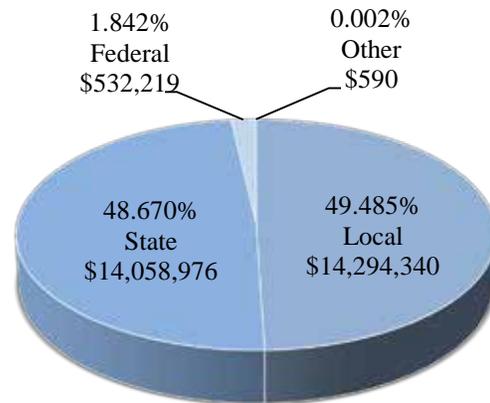
School Characteristics 2014-15 School Year <sup>ii</sup>	
County	Centre
Total Square Miles	354
Resident Population <sup>iii</sup>	13,206
Number of School Buildings	5
Total Teachers	134
Total Full or Part-Time Support Staff	60
Total Administrators	12
Total Enrollment for Most Recent School Year	1,516
Intermediate Unit Number	10
District Vo-Tech School	Central PA Institute of Science & Technology

### Mission Statement

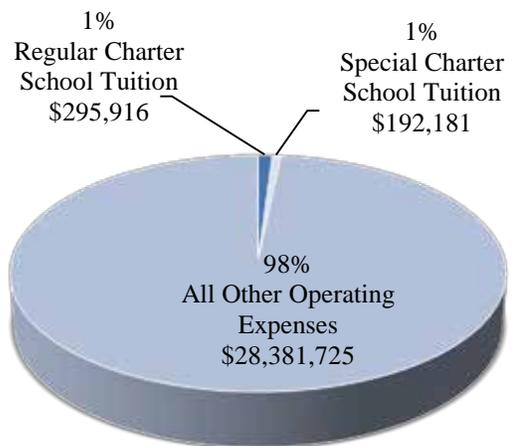
“The mission of the Bald Eagle Area School District is to provide all students with academically challenging educational experiences and opportunities to grow into responsible, lifelong learners and productive contributors to our global society.”

## Financial Information

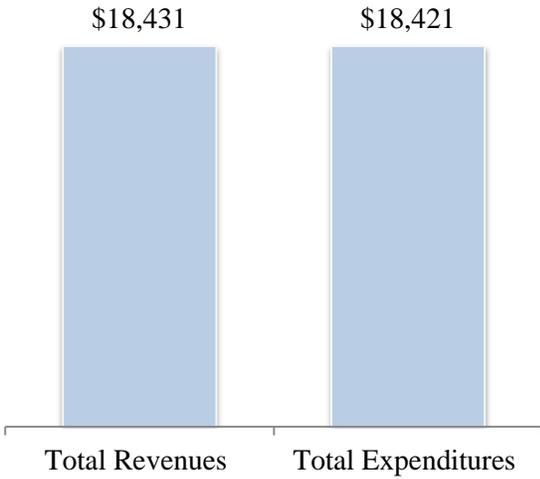
### Revenue by Source for 2013-14 School Year



### Select Expenditures for 2013-14 School Year

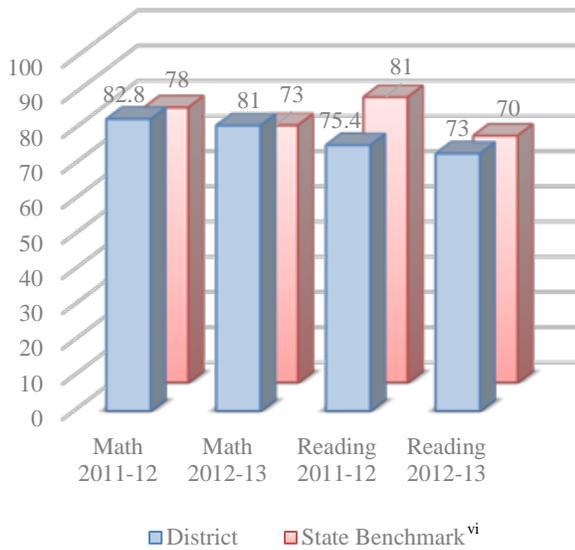


**Dollars Per Student  
2013-14 School Year**



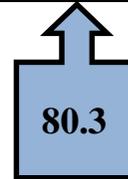
**Academic Information**

**Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA<sup>iv v</sup>**



**District's 2012-13 SPP Score<sup>vii</sup>**

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



**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 of 73% Above or Below</b>	<b>PSSA % School Proficient and Advanced in Reading</b>	<b>PSSA % Statewide Benchmark of 70% Above or Below</b>	<b>Federal Title I Designation (Reward, Priority, Focus, No Designation)<sup>ix</sup></b>
Bald Eagle Area Junior Senior High School	83.2	79	6	74	4	N/A
Howard Elementary	86.1	84	11	74	4	N/A
Mountaintop Area Elementary	85.7	90	17	85	15	No Designation
Port Matilda Elementary	82.5	82	9	75	5	No Designation
Wingate Elementary	72	86	13	68	2	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 July 2, 2013, resulted in one finding. The finding pertained to membership reporting errors and lack of internal controls. 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 regarding the prior finding. As shown below, we found that the District did not implement all of our recommendations related to the finding.

### Auditor General Performance Audit Report Released on July 2, 2013

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**Prior Finding:                      Membership Reporting Errors and Lack of Internal Controls  
Resulted in Underpayments of \$44,059**

Prior Finding  
Summary:

Our prior audit found that District personnel used the incorrect residency coding for three non-resident secondary students placed in private homes (foster children), which resulted in an understatement of 448 days and an underpayment of state tuition subsidies to the District of \$20,779.

Additionally, in six cases, we found that the Pennsylvania Department of Education (PDE) penalized the District \$26,642 for not meeting the state-mandated days of instruction. Our audit found that the District actually did meet the mandated minimum days in three of the six cases. This resulted in a revised adjusted gross allocation penalty of \$3,362. Therefore, the District was owed an additional \$23,280 in subsidy.

Prior  
Recommendations:

Our prior audit finding recommended that the District should:

1. Document procedures (e.g. procedure manuals, policies, written instructions etc.) to ensure continuity over the Pennsylvania Information Management Systems (PIMS) data submission.
2. Cross train individuals to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures in the event of a sudden change in personnel.
3. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all data is accurate, in particular, that students' residency status are correct.

4. Ensure that staff participates in the PIMS training opportunities offered by PDE and become more familiar with the PIMS manual.
5. Improve communication between personnel if more than one person enters data.
6. Consider centralizing the District's registration process to limit the number of individuals who enter information into the child accounting system.
7. Review reports for school years subsequent to our audit years for pupil classification accuracy and revise them if necessary.

We also recommended that PDE should:

8. Adjust the District's allocations to correct the underpayments of \$20,779 in state tuition subsidies for foster children and \$23,280 in basic education funding.

Current Status:

During our current audit, we found that the District did implement our recommendations during the 2013-14 school year. Due to the date of our previously issued report, July 2, 2013, the District's corrective action taken to address our recommendations could not be completed prior to the 2013-14 school year. As a result, the District was underpaid \$27,680 and \$26,384 for the 2010-11 and 2011-12 school years. We have provided PDE with reports detailing the errors for use in recalculating the District's tuition for foster children.

As of September 17, 2015, PDE had not adjusted the District's allocations to correct the prior underpayments.

## **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 10, 2013 through September 17, 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, 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:

- Governance
- Financial Stability
- Hiring and Separations
- 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:

- ü Did the LEA's Board of School Directors (Board) and administration maintain best practices in overall organizational governance?
  - o 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, District 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 Based on an assessment of fiscal benchmarks, 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?
  - o To address this objective, we reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2005-06 through 2013-14. The financial and statistical data was used to calculate ratios and trends for 22 benchmarks, which were deemed appropriate for assessing the District's financial stability. The benchmarks are based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics.

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 August 4, 2014 through September 11, 2014, 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 on-site reviews at two out of the District’s five 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 outlined 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 20 bus drivers hired by the District bus contractors, during the school years July 1, 2012 through March 6, 2015, and reviewed documentation to ensure the District complied with bus driver’s requirements. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if 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> 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 significant 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> *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.

<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.