

PERFORMANCE AUDIT

Armstrong School District Armstrong County, Pennsylvania

July 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**

Mr. Chris M. DeVivo, Superintendent
Armstrong School District
181 Heritage Park Drive, Suite #2
Kittanning, Pennsylvania 16201

Mr. Christopher E. Choncek, Board President
Armstrong School District
181 Heritage Park Drive, Suite #2
Kittanning, Pennsylvania 16201

Dear Mr. DeVivo and Mr. Choncek:

Our performance audit of the Armstrong School District (District) 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 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. We communicated the results of our review of school safety, however, to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

Mr. Chris M. DeVivo
Mr. Christopher E. Choncek
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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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

July 8, 2019

cc: **ARMSTRONG 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 Armstrong School District (District). Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

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). Compliance specific to state subsidies and reimbursements was determined for the 2013-14 through 2016-17 school years.

Audit Conclusion and Results

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

Finding No. 1: The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$62,755.

The District was overpaid \$62,755 in transportation reimbursements from the Pennsylvania Department of Education (PDE). This overpayment was due to the District inaccurately reporting the number of nonpublic school students transported by the

District during the 2013-14, 2014-15, 2015-16, and 2016-17 school years (see page 12).

Finding No. 2: The District Incorrectly Reported Nonresident Data to the Pennsylvania Department of Education Resulting in an Overpayment of \$61,269.

We found that the District incorrectly reported nonresident student data to the PDE for the 2013-14 through 2016-17 school years. Incorrectly reporting this data resulted in the District being overpaid \$61,269 in subsidy reimbursements from the PDE (see page 17).

Status of Prior Engagement Findings and Observations

With regard to the status of our prior recommendations to the District from a limited procedures engagement released on March 12, 2015, we found that the District had taken appropriate corrective action. The District implemented our recommendations pertaining to errors in reporting Social Security and Medicare wages (see page 21).

Background Information

School Characteristics 2017-18 School Year ^A	
County	Armstrong
Total Square Miles	436
Number of School Buildings	8
Total Teachers	414
Total Full or Part-Time Support Staff	211
Total Administrators	22
Total Enrollment for Most Recent School Year	5,076
Intermediate Unit Number	28
District Vo-Tech School	Lenape Technical School

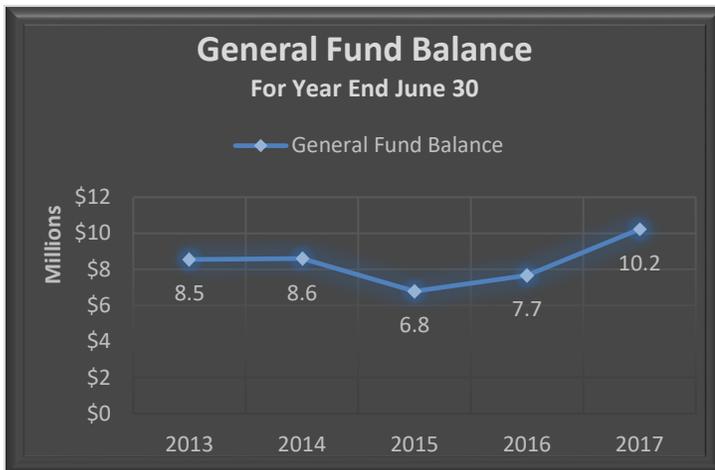
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

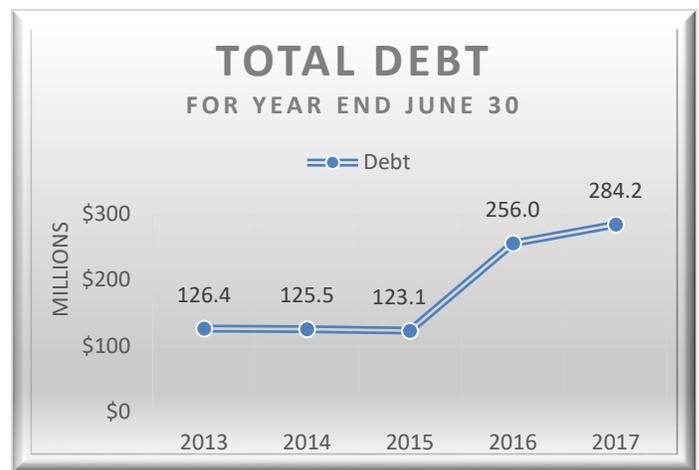
The Armstrong School District, in partnership with our families and communities, will graduate educationally prepared, productive, morally responsible individuals.

Financial Information

The following pages contain financial information about the Armstrong School District (District) obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on the PDE's public website. This information was not audited and is presented for informational purposes only.

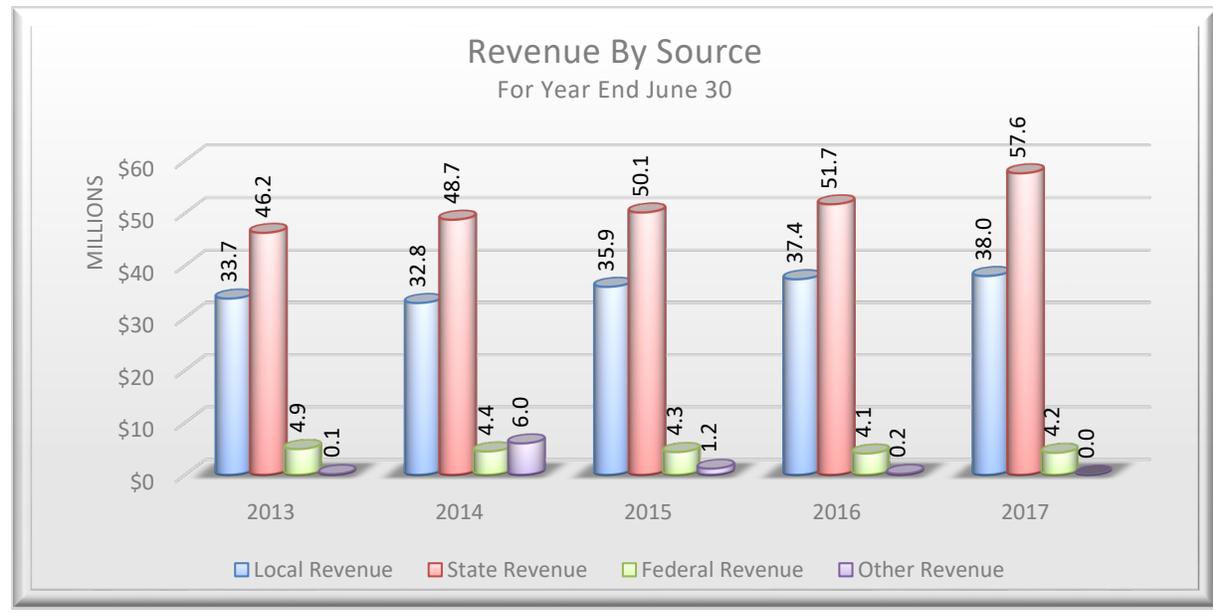
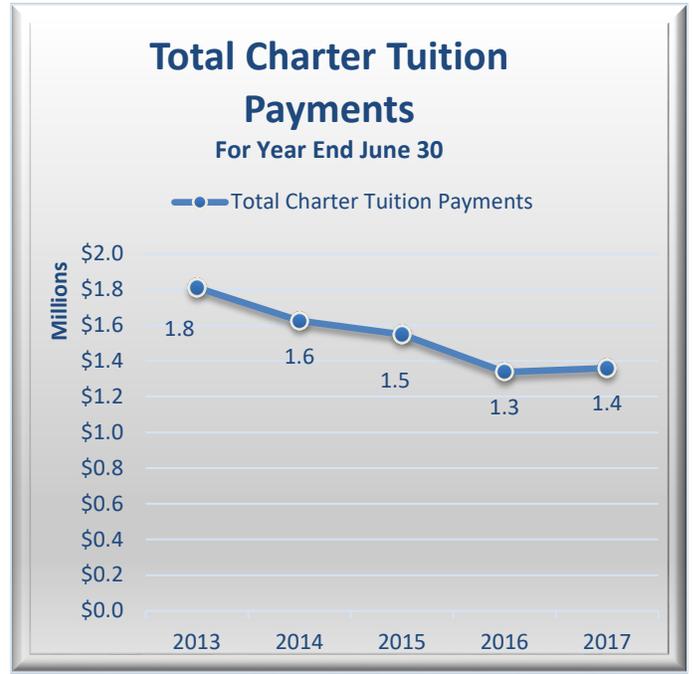
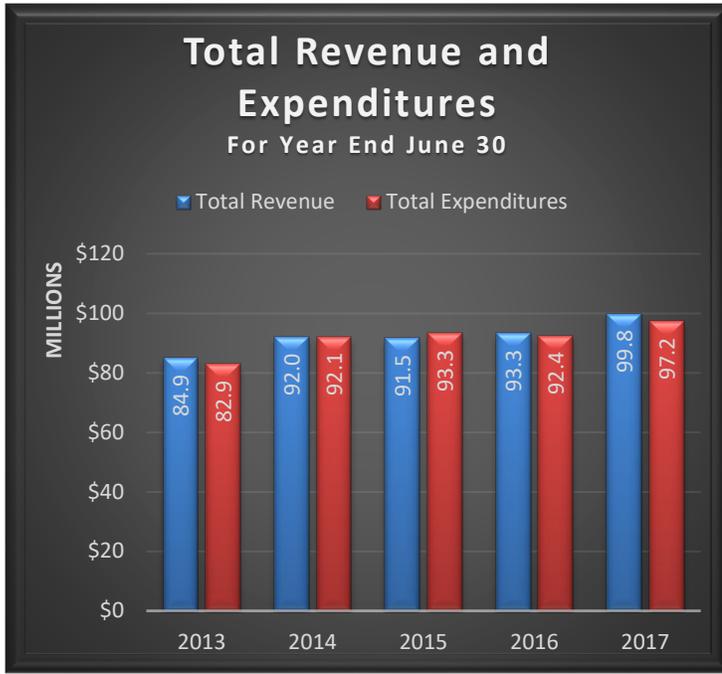


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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 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 the PDE's data files for the 2014-15, 2015-16 and 2016-17 school years.¹ These scores are provided in the District's 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.² Finally, 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.³

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. The PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, 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.

The PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, the PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.⁴ The PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

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.⁵ 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.

¹ The PDE is the sole source of academic data presented in this report. All academic data was obtained from the PDE's publically available website.

² The 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 the PDE's website for general information regarding the issuance of academic scores.

³ 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.

⁴ According to the PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with PA Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

⁵ 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).

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 and Math. 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.⁶ 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.

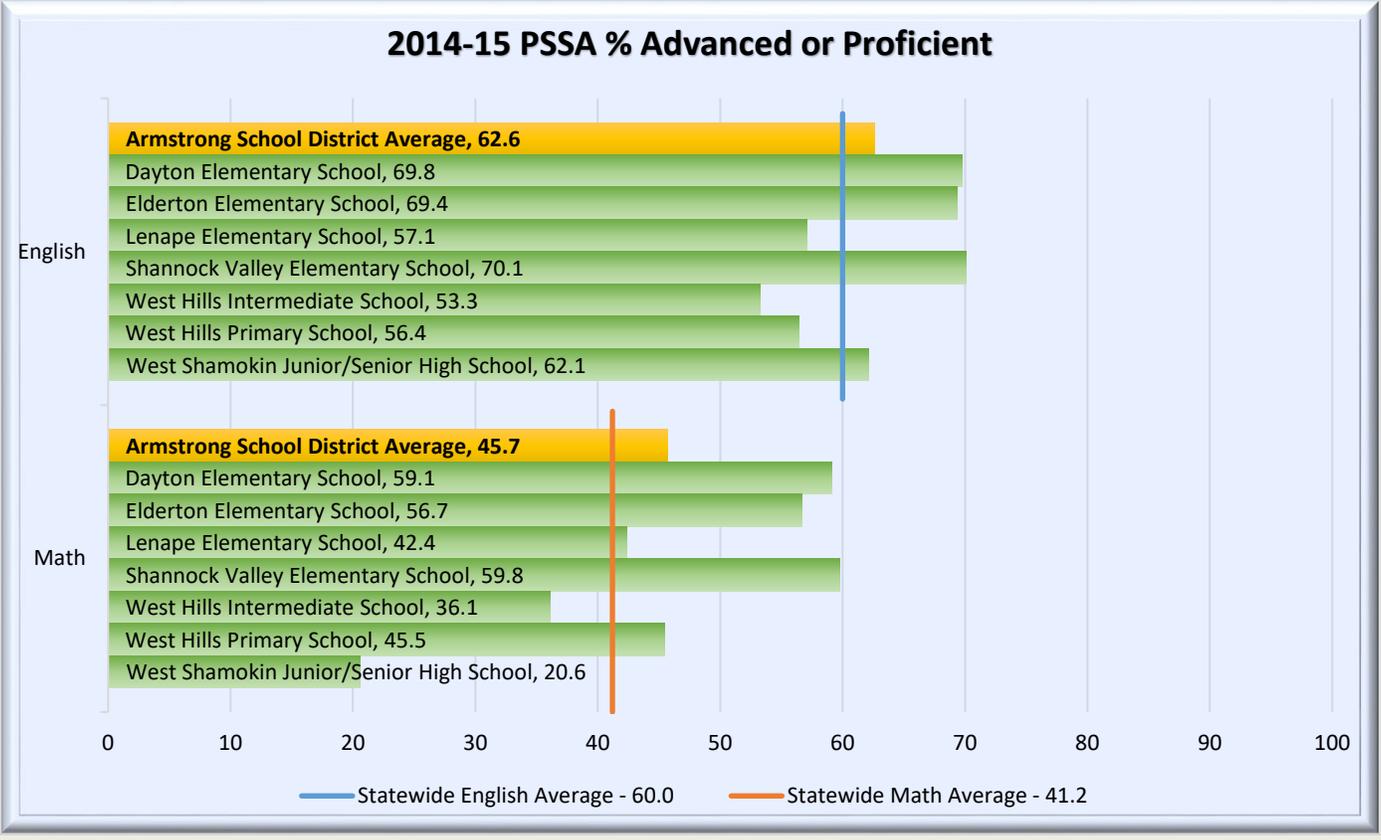
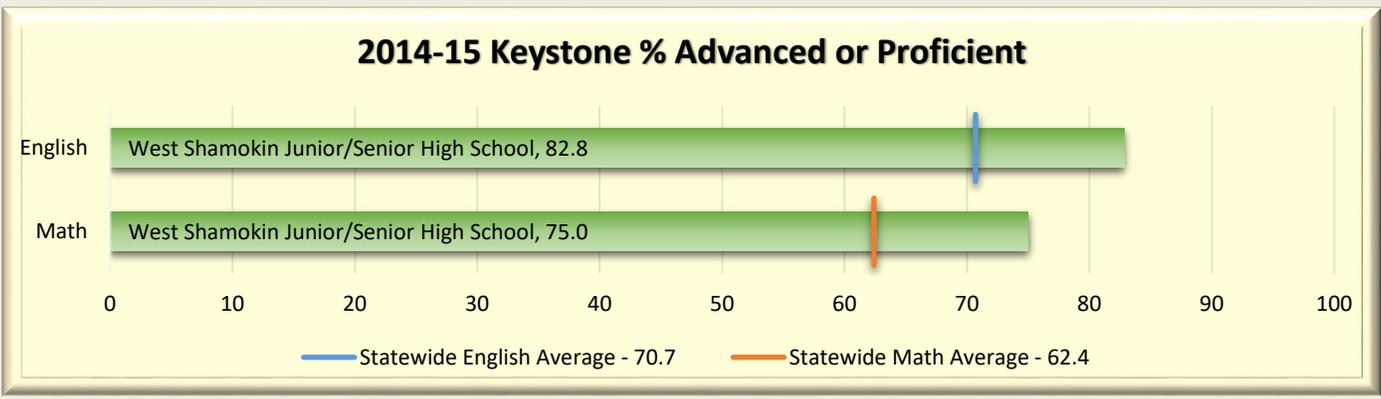
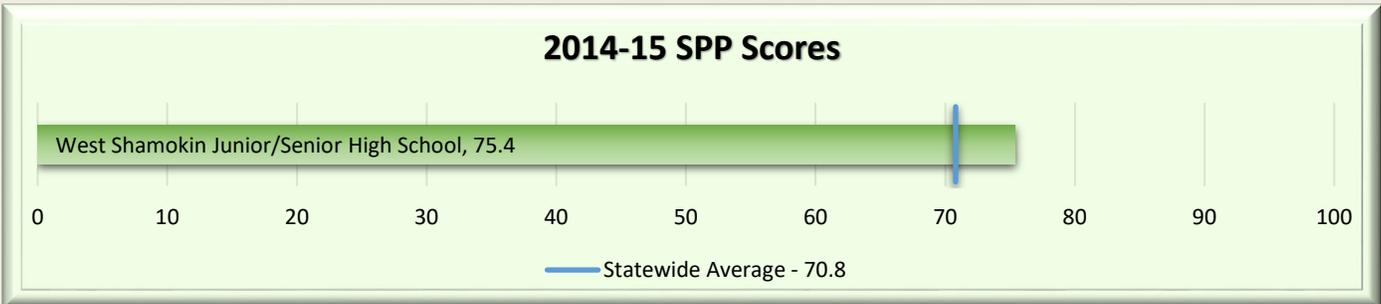
What is a 4-Year Cohort Graduation Rate?

The 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.⁷

⁶ The PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

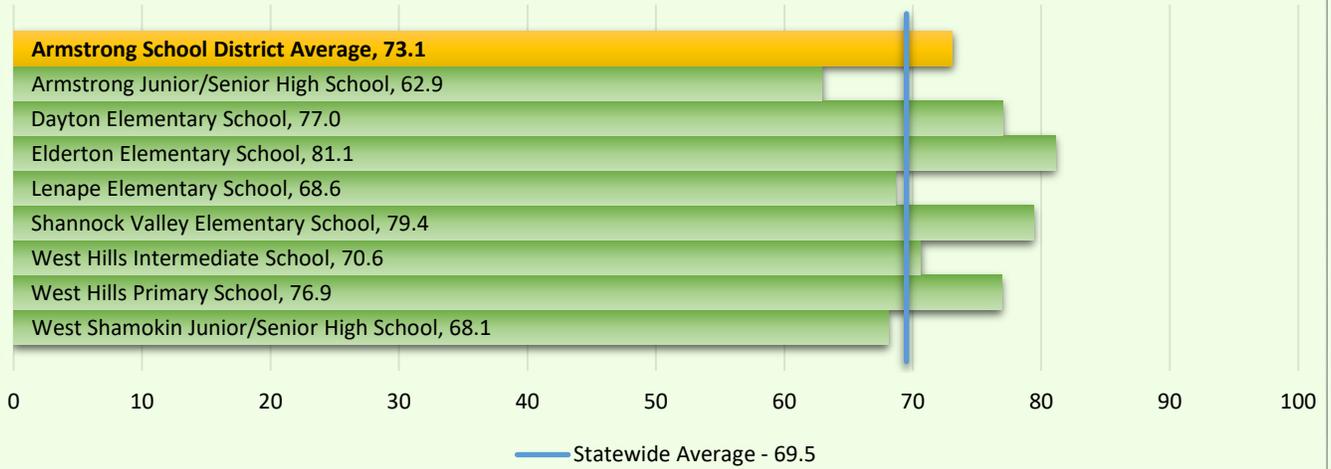
⁷ The PDE also calculates 5-year and 6-year cohort graduation rates. Please visit the PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

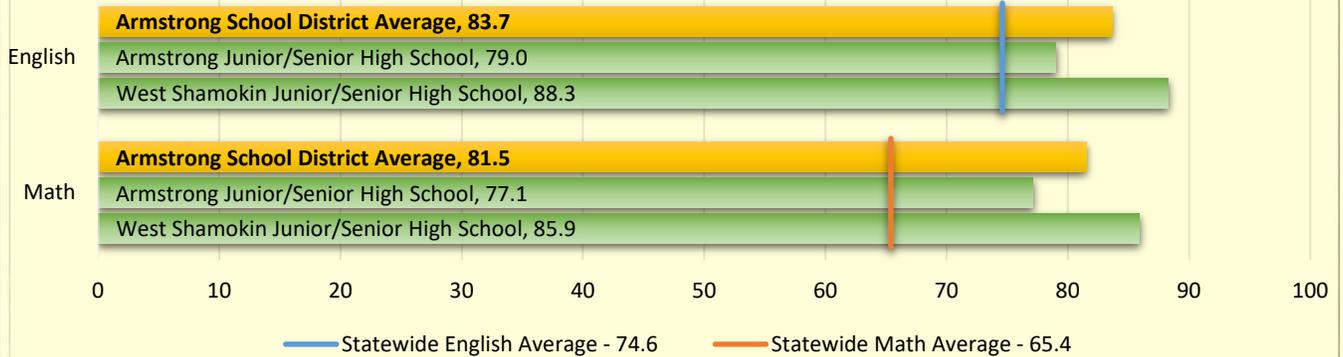


2015-16 Academic Data
School Scores Compared to Statewide Averages

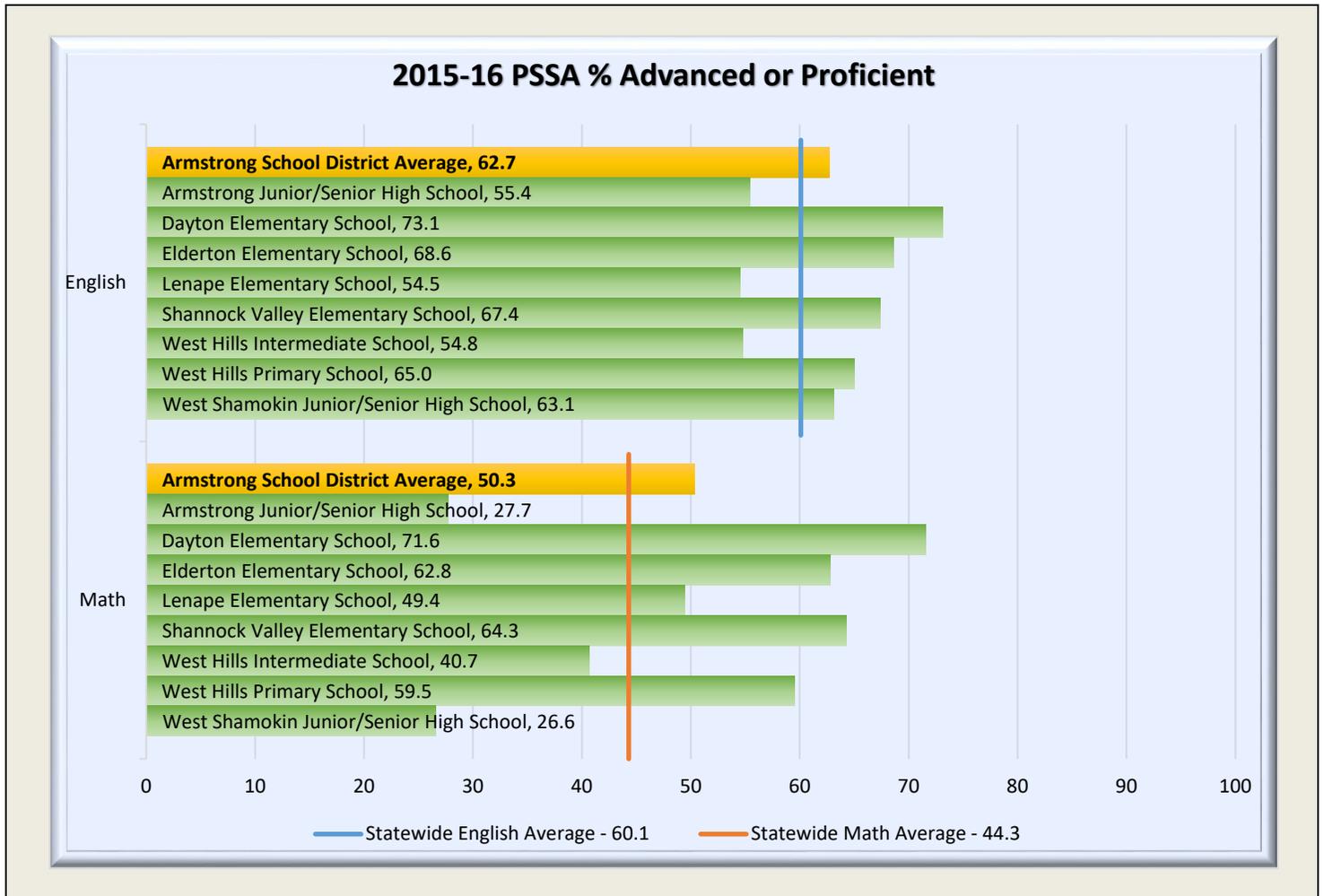
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient



2015-16 Academic Data
School Scores Compared to Statewide Averages (continued)

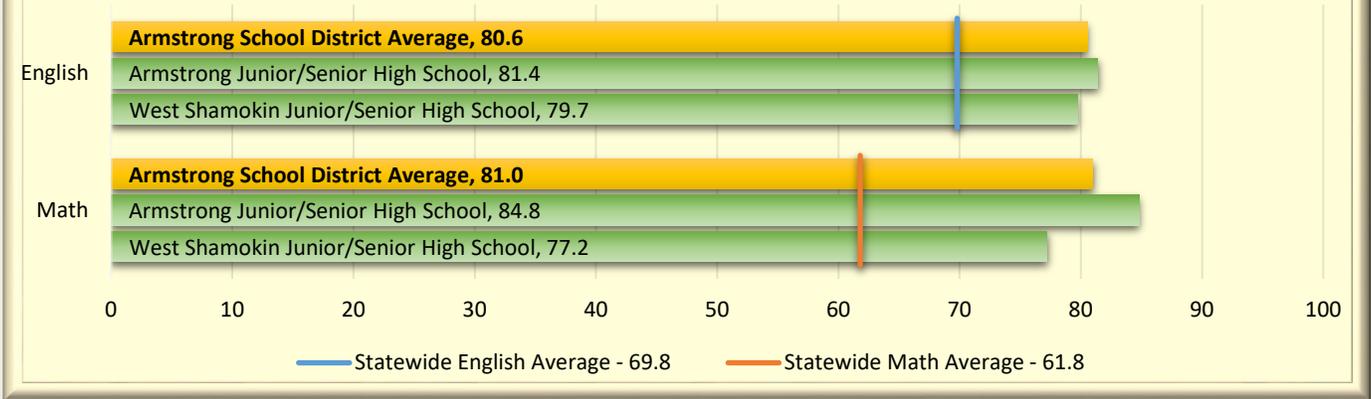


2016-17 Academic Data
School Scores Compared to Statewide Averages

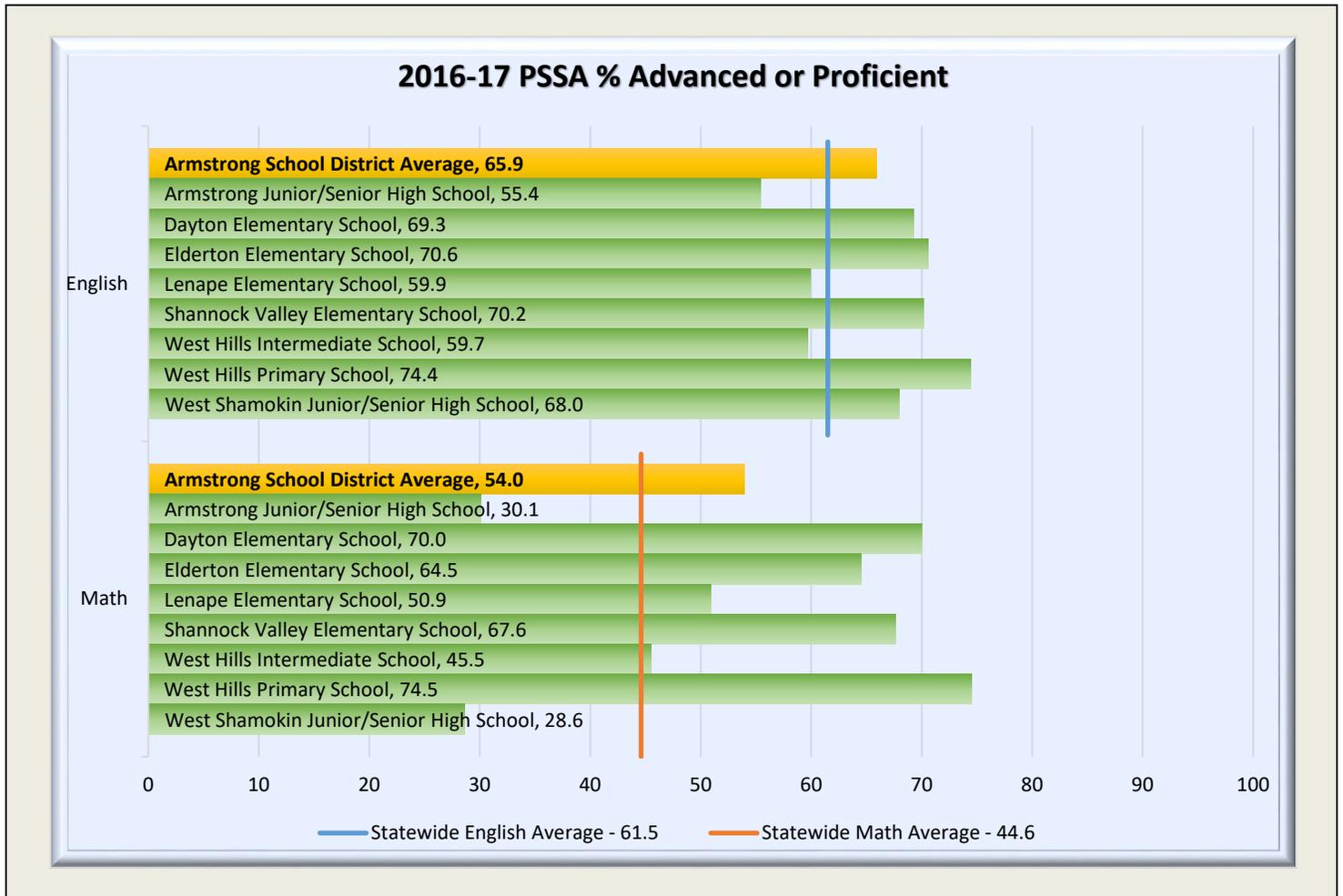
2016-17 SPP Scores



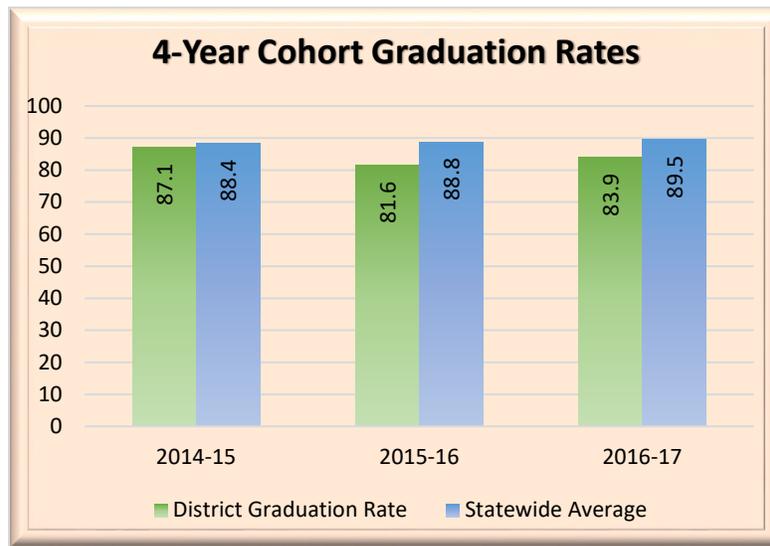
2016-17 Keystone % Advanced or Proficient



2016-17 Academic Data
School Scores Compared to Statewide Averages (continued)



Graduation Data
District Graduation Rates Compared to Statewide Averages



Findings

Finding No. 1

The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$62,755

Criteria relevant to the finding:

Supplemental Transportation Subsidy for Nonpublic School Students

Section 2509.3 of the Public School Code (PSC) provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. *See* 24 P.S. § 25-2509.3.

Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit or parochial school.

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement, in a format prescribed by the Secretary of Education, of student transportation data for the prior and current school year with the Pennsylvania Department of Education (PDE) in order to be eligible for the transportation subsidies. *See* 24 P.S. § 25-2543.

The Armstrong School District (District) was overpaid \$62,755 in transportation reimbursements from the Pennsylvania Department of Education (PDE). This overpayment was due to the District inaccurately reporting the number of nonpublic school students transported by the District during the 2013-14, 2014-15, 2015-16, and 2016-17 school years.

According to the Public School Code (PSC), a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.⁸ The PSC requires school districts to provide transportation services to students who reside in its district and who attend a nonpublic school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic student transported by the district.

The following table summarizes the District's nonpublic school student reporting errors by school year and the resulting overpayments:

Armstrong School District Nonpublic School Student Reporting Errors		
School Year	Nonpublic Students Over Reported	Overpayment ⁹
2013-14	58	\$22,330
2014-15	46	\$17,710
2015-16	45	\$17,325
2016-17	14	\$ 5,390
Total	163	\$62,755

⁸ *See* Section 922.1-A(b) (relating to "Definitions") of the PSC, 24 P.S. § 9-922.1-A(b).

⁹ Calculated by multiplying the "Nonpublic Students Over Reported" column by \$385.

*Criteria relevant to the finding
(continued):*

Section 2543 of the PSC, which is entitled, “Sworn statement of the amount expended for reimbursable transportation payment withholding states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphases added.)

The PDE has established a Summary of Students Transported form (PDE-2089) and relevant instructions specifying how districts are to report nonpublic students transported to and from school.

Number of Nonpublic School Pupils Transported

Enter the total number of resident NONPUBLIC school pupils you transported to and from school. Documentation identifying the names of these pupils should be retained for review by the Auditor General’s staff. NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that your district is financially responsible to educate is a PUBLIC pupil.)

We found that the District inappropriately included students who were not provided transportation by the District in the reported number of students transported to nonpublic schools. Specifically, the District did not remove nonpublic school students from its transportation software when these students no longer required transportation by the District. The majority of the students attended sectarian schools in the area.

The District also reported special education students enrolled in and transported to alternate education programs inaccurately as nonpublic school students.¹⁰ The alternative education school was set up in the District’s software to be counted and reported as a nonpublic school.

The District made considerably fewer nonpublic school student reporting errors during the 2016-17 school year as illustrated in the table above. This improvement can be attributed to the District not repeating errors made in the previous years for students who attend sectarian schools and separately reviewing this population of nonpublic students.

It is important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school year with the PDE in order to be eligible for the transportation subsidies. It is essential that the District accurately report transportation data to the PDE and retain the support for this transportation data. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on the PDE’s reporting requirements.

We provided the PDE with reports detailing the nonpublic reporting errors for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. The PDE requires these reports to verify the overpayment to the District. The District’s future transportation subsidies should be adjusted by the amount of the overpayment.

¹⁰ The alternative education program was one of the programs within the Western Pennsylvania School for the Deaf.

Recommendations

The *Armstrong School District* should:

1. Perform yearly reconciliations of bus rosters to student requests for transportation to ensure nonpublic school students are accurately reported to the PDE.
2. Review the categorization of students for all the nonpublic schools that are saved in the District's transportation software to determine whether the categorizations are accurate.
3. Implement a procedure to have a District official, other than the person who prepares the data, review the transportation data for accuracy and approve it prior to submission to the PDE.
4. Ensure its personnel in charge of calculating and reporting the number of nonpublic school students transported by the District are appropriately trained in regard to the PDE's transportation reporting requirements.

The *Pennsylvania Department of Education* should:

5. Adjust the District's future transportation subsidies to resolve the \$62,755 overpayment to the District.

Management Response

District management provided the following response:

“Every year the students in Versa Trans are rolled over to the new school year with a grade advancement. The bus routes are then updated with the current students who need busing. With the Amish students, there is sometimes a good bit of turnover as families move out and new families move in. Some of the Amish students who no longer needed busing were not removed from the busing list in Versa Trans, and they were still showing up as riders although they were no longer assigned to a bus.

This is what happened with Stoney Acres Amish School in 2013-2014. There were a number of students who were no longer at Stoney Acres but remained in Versa Trans with a rider status, even though they were not assigned to a bus.

This was corrected for Stoney Acres in 2014-15 and only the students actually assigned to a bus were listed as riders. In 2013-2014 was also the first full year that Barker Bus was busing the Amish students [*sic*]. Prior to that, McMeans did the busing for the Amish but McMeans was sold to Barker's.

There were also two Amish schools, Stoney Flats and Hemlock Acres, who had no students being transported but students were still listed in Versa Trans, apparently from previous years when they were transported. Stoney Flats was corrected in 2017-2018 and Hemlock was corrected in 2018-2019.

Western PA School for the Deaf is a public school, and is reported as a public school. However, in Versa Trans these students were set up as nonpublic students, and were therefore counted on the nonpublic list. This is being corrected in 2018-2019.

In the bus routing system when a student is advanced past 12 grade, they show up as 99 in the system and we remove them. The Amish only go to 8th grade and some go to what they call a vocational year, which shows up in our system as UG ungraded. We cannot apply the 99 code in the system for the nonpublic students because of the Amish so when we found Amish in 10th, 11th and 12th grade we knew they needed removed. When we found Amish students in 9th grade, they should be marked as UG ungraded because they are vocational. When we did this, it cleared students out in the 2016-2017 year that had been moved accidentally through the system. We know now several of these students were being marked as riders in 1st through 8th and UG that were wrong. The nonpublic non-riders were subtracted from the nonpublic count in 2016-2017 instead of just taking the nonpublic rider count, which did clear up some but not all riders (14 students).

Moving forward with the system check we built, we will be able to catch any of these discrepancies in the future.”

Auditor Conclusion

We are encouraged that the District has implemented new procedures for the reporting of nonpublic students transported. We will review the effectiveness of these procedures during our next audit of the District. We

continue to recommend that the District perform annual reconciliations of bus rosters to requests for transportation for nonpublic school students.

Finding No. 2

The District Incorrectly Reported Nonresident Data to the Pennsylvania Department of Education Resulting in an Overpayment of \$61,269

Criteria relevant to the finding:

Section 1305(a) of the PSC provides for Commonwealth payment of tuition for nonresident children placed in private homes as follows:

“When a non-resident child is placed in the home of a resident of any school district by order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, **such resident being compensated for keeping the child**, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district.” (Emphasis added.) See 24 P.S. § 13-1305(a)

We found that the District incorrectly reported nonresident student data to the PDE for the 2013-14 through 2016-17 school years. Incorrectly reporting this data resulted in the District being overpaid \$61,269 in subsidy reimbursements from the PDE. The District inaccurately reported data for five students, which resulted in the District being overpaid \$61,269 in subsidy reimbursements from the PDE.

These reporting errors occurred because District officials failed to timely update the residency statuses of two students who became residents after being adopted and incorrectly reported three nonresident students as nonresident foster students.

As discussed in our criteria box, school districts are entitled to receive Commonwealth-paid tuition for educating nonresident students. To be eligible to receive Commonwealth-paid tuition, the student’s parent/guardian must not be a resident of the educating district and the student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.¹¹ These students are commonly referred to as “foster students” and it is the requirement of the educating District to obtain the required documentation to correctly categorize and accurately report the number of foster students to the PDE.

¹¹ For example, the applicable county children and youth agency.

Criteria relevant to the finding (continued):

Section 2503(c) of the PSC specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil, as the case may be . . .” See 24 P.S. § 25-2503(c).

State Board of Education regulations and the PDE guidelines govern the classification of nonresident children placed in private homes.

Section 2562 of the PSC specifies the payments by districts for pupils attending in Other Districts.

“For each elementary or high school pupil attending a public school of another district, the receiving district shall bill the sending district, and the sending district shall pay the amount of the tuition charge per elementary pupil, or the tuition charge per high school pupil, as the case may be. In the case of pupils attending the receiving district’s public schools for less than a full school term, the tuition charge per elementary or high school pupil shall be prorated by reference to the period of time over which such pupils actually attended the receiving district’s schools . . .” See 24 P.S. § 25-2562.

The following table details the number of days the District incorrectly reported nonresident student data to the PDE for all five students for each school year and the related annual overpayment to the District.

Armstrong School District Nonresident Student Data Reported to the PDE		
School Year	Days Reported Incorrectly	Overpayment
2013-14	356	\$19,239
2014-15	356	\$21,294
2015-16	332	\$19,425
2016-17	23	\$ 1,311
Total	1,067	\$61,269

The two resident students who were incorrectly reported as nonresident students during the audit period were nonresident foster students upon initially enrolling in the District. However, both students were adopted prior to the 2013-14 school year, and therefore became resident students at the time of adoption. The District incorrectly reported these students as nonresidents after their adoptions due to the District failure to obtain annual agency placement letters for nonresident students and a lack of communication between school building personnel and District officials.

The District began to accurately report one of the students as a resident during the 2015-16 school year. This occurred during a year-end membership rollover that is completed annually at each District school building. The District official that performed this rollover procedure during the 2013-14 and 2014-15 school years did not correct the residency error for this student during these years. Furthermore, the District began to accurately report the second adopted student as a resident during the 2016-17 school year. This error similarly was identified during the District annual membership rollover; however, the annual membership rollover did not identify this residency error for the previous three school years.

The District incorrectly reported three nonresident students as foster students during the 2015-16 and 2016-17 school

Criteria relevant to the finding (continued):

Subsection (a) of Section 11.19 (relating to Nonresident child living with a district resident) of the State Board of Education's regulations provide as follows, in part:

“A nonresident is entitled to attend the district's public schools if that child is fully maintained and supported in the home of a district resident as if the child were the residents' own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is a resident of the district, the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term.” See 22 Pa. Code § 11.19(a)

years. The District should have billed each student's district of residency, not the Commonwealth, for tuition to educate these students. The District received subsidy reimbursements from the Commonwealth for educating these students.

The District attributed these specific errors to a lack of knowledge concerning the accurate reporting of different types of nonresident students. The District submitted its nonresident student data to the PDE for the 2017-18 school year prior to our identification of the errors. District officials are in the process of reviewing nonresident data submitted for the 2017-18 school year and determining if revisions need to be made.

The District did not require annual agency placement letters for all nonresident students reported to the PDE. Requiring annual agency placement letters to be completed could have helped the District accurately identify the two students incorrectly reported as nonresidents after their adoptions. Additionally, the District did not have someone employed that was familiar with the different types of nonresident students and the accurate procedures necessary when billing for nonresident students educated by the District.

We provided the PDE with reports detailing the errors we identified for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. The PDE requires these reports to verify the overpayments to the District. The District's future subsidy reimbursements should be adjusted by the amount of the overpayment.

Recommendations

The *Armstrong School District* should:

1. Develop procedures requiring agency placement letters to be obtained and verified at the beginning of each school year to ensure the District's resident data is accurate and up-to-date.
2. Ensure that all student residency changes identified at the building level are immediately communicated to the District personnel responsible for reporting student membership data to the PDE.

3. Ensure that District personnel responsible for preparing nonresident student data and District personnel responsible for reviewing that data prior to it being sent to the PDE are properly trained on the classifications of nonresident students and how to accurately bill for these students.
4. Identify the three students' home districts and bill each respective district the appropriate tuition amount for educating these students.

The *Pennsylvania Department of Education* should:

5. Adjust the District's allocation to correct the overpayment of \$61,269.

Management Response

District management provided the following response:

“Errors for non-resident foster students were due to not changing information after they were adopted was an oversight upon receipt of the adoption paperwork [*sic*]. Student's names were changed in the student information system but students were not taken out of the non-resident foster category and placed as resident students. Non-resident students who were in treatment should have been non-resident 1306 students but were left as non-resident 1305 students. These errors were at the school level and training will be coming held [*sic*] to review correct data input upon receipt of treatment and adoption paperwork.”

Auditor Conclusion

We are encouraged that the District is in the process of adding new training to correct the errors in reporting nonresident students. We continue to encourage the District to implement our additional recommendations, and we will determine the effectiveness of the District's corrective action during our next audit.

Status of Prior Engagement Findings and Observations

Our prior Limited Procedures Engagement (LPE) of the Armstrong School District (District) released on March 12, 2015, resulted in one finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed procedures as detailed in each status section below.

Auditor General Limited Procedures Engagement Released on March 12, 2015

Prior Finding: **Errors in Reporting Social Security and Medicare Wages Resulted in Reimbursement Overpayments Totaling \$38,129**

Prior Finding Summary: During our prior LPE of the District's payroll records, we found the Social Security and Medicare wages for the 2011-12, 2012-13, and 2013-14 school years were incorrectly reported to the PDE. These errors resulted in reimbursement overpayments to the District totaling \$38,129.

Prior Recommendations: We recommended that the District should:

1. Ensure that District personnel comply with the PDE instructions when completing the Reconciliation of Social Security and Medicare Tax Contributions form.
2. Ensure that District personnel accurately identify and report new and existing employees.
3. Perform an internal review of reports submitted in school years subsequent to the audit period and resubmit reports to the PDE if similar errors occurred.

We also recommended that the PDE should:

4. Adjust the District's allocations to resolve the reimbursement overpayments totaling \$38,129.

Current Status: We found that the District implemented our prior recommendations. The District performed an internal review during the 2014-15 school year and corrected any employee who was incorrectly categorized at that time.

In April 2016, the PDE adjusted the District's allocations to recover the \$38,129 overpayment cited in the prior LPE.

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹² 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 Armstrong 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).¹³ 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.

¹² 72 P.S. §§ 402 and 403.

¹³ 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, academic performance data, 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:

- ✓ Transportation Operations
- ✓ Nonresident Student Data
- ✓ Administrator Separations
- ✓ Bus Driver Requirements
- ✓ School Safety

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

- ✓ Did the District ensure compliance with applicable laws and regulations governing supplemental transportation reimbursement, and did the District receive the correct supplemental transportation reimbursement from the Commonwealth?¹⁴
 - To address this objective, we reviewed all of the nonpublic school students reported to the PDE as being transported by the District for the 2013-14, 2014-15, 2015-16, and 2016-17 school years.¹⁵ We determined whether each nonpublic school student reported to the PDE was enrolled in a nonpublic school and that the District obtained a request for transportation for each student. See Finding No. 1 on page 12 for the results of our review of this objective.
- ✓ Did the District accurately report nonresident students to the PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁶
 - To address this objective, we reviewed all of the nonresident 1305/1306 foster students that the District reported to the PDE for the 2013-14, 2014-15, 2015-16 and 2016-17 school years.¹⁷ We obtained documentation to verify that the custodial parent or guardian was not a resident of the District and the foster parent

¹⁴ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹⁵ The District reported 408 nonpublic students transported in the 2013-14 school year, 398 students in the 2014-15 school year, 422 students in the 2015-16 school year, and 397 students in the 2016-17 school year.

¹⁶ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹⁷ The District reported 11 nonresident foster students in the 2013-14 school year, 8 students in the 2014-15 school year, 7 students in the 2015-16 school year, and 2 students in the 2016-17 school year.

received a stipend for caring for the student. The student listings obtained from the District's student accounting software were compared to the total days reported on the PDE's Membership Summary to ensure that the District received correct reimbursement for these students. See Finding No. 2 on page 17 for the results of our review of this objective.

- ✓ 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 comply with the Public School Code¹⁸ and Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for the one administrator who separated from employment with the District during the period July 1, 2013 through June 30, 2017. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances¹⁹ as outlined in applicable laws?²⁰ 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 60 of the 305 bus drivers transporting District students as of December 13, 2018.²¹ We reviewed documentation 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, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District take actions to ensure it provided a safe school environment?²²
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, fire drill documentation and after action reports. In addition, we conducted on-site reviews at three out of

¹⁸ 24 P.S. § 10-1073(e)(2)(v).

¹⁹ Auditors reviewed the required state, federal and child abuse background clearances 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.

²⁰ 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*.

²¹ 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.

²² 24 P.S. § 13-1301-A *et seq.*

the District's eight school buildings²³ (one from each education level) to assess whether the District had implemented basic safety practices.²⁴ Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety were shared with District officials, the PDE, and other appropriate agencies deemed necessary.

²³ The three buildings reviewed were selected based on their proximity to the administrative building. 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.

²⁴ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

Distribution List

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 Joe Torsella

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. Nathan Mains

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

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