

# PERFORMANCE AUDIT

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## Bethlehem-Center School District Washington County, Pennsylvania

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July 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mrs. Thelma Szarell  
Interim Superintendent  
Bethlehem-Center School District  
194 Crawford Road  
Fredericktown, Pennsylvania 15333

Mr. Donald Crile  
Board President  
Bethlehem-Center School District  
194 Crawford Road  
Fredericktown, Pennsylvania 15333

Dear Mrs. Szarell and Mr. Crile:

We have conducted a performance audit of the Bethlehem-Center School District (District) for the period July 1, 2012, through June 30, 2015, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Data Integrity
- Bus Driver Requirements
- School Safety

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and 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 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

July 25, 2017

cc: **BETHLEHEM-CENTER SCHOOL DISTRICT** Board of School Directors

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## Background Information

| School Characteristics<br>2015-16 School Year <sup>A</sup> |                |
|--|----------------|
| County   | Washington     |
| Total Square Miles   | 55             |
| Resident Population <sup>B</sup>                           | 9,292          |
| Number of School Buildings                                 | 3              |
| Total Teachers   | 97             |
| Total Full or Part-Time Support Staff                      | 45             |
| Total Administrators                                       | 8              |
| Total Enrollment for Most Recent School Year               | 1,334          |
| Intermediate Unit Number                                   | 1              |
| District Vo-Tech School                                    | Mon Valley CTC |

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

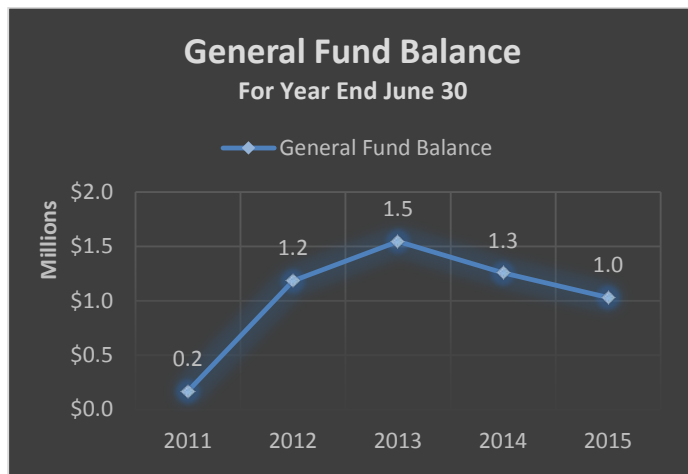
B - Source: United States Census  
<http://www.census.gov/2010census>.

## Mission Statement<sup>A</sup>

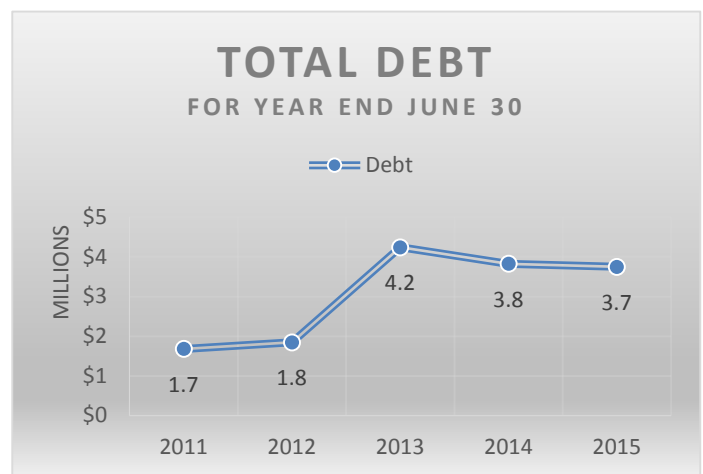
The mission of the Bethlehem Center School District is to challenge the academic and social potential of all students through the cooperative efforts of the school community.

## Financial Information

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

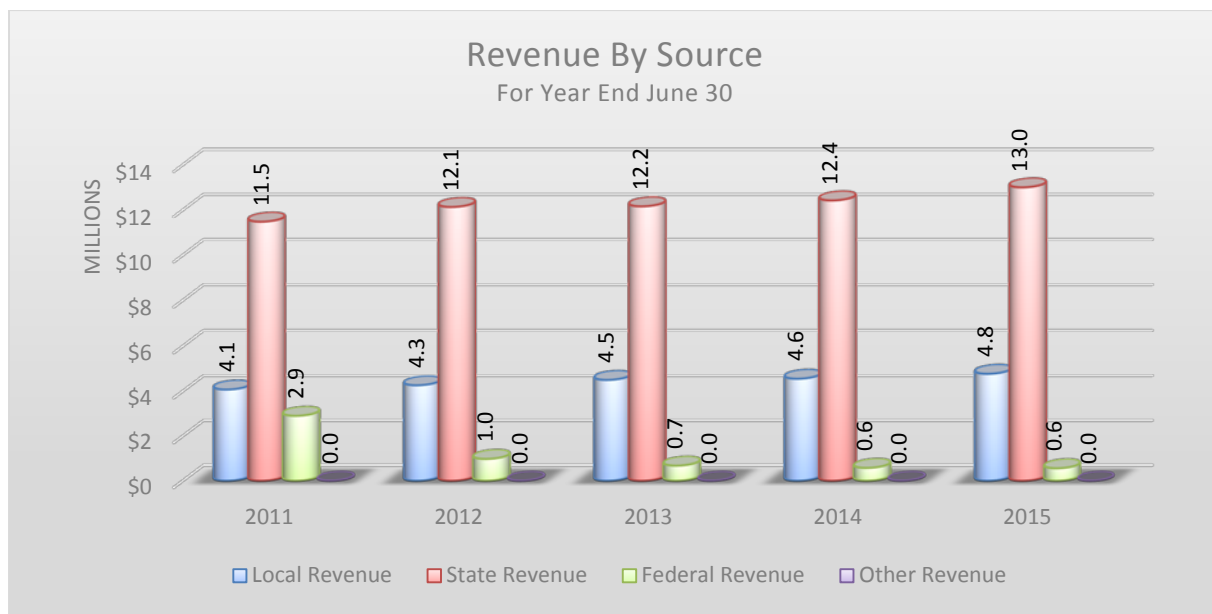
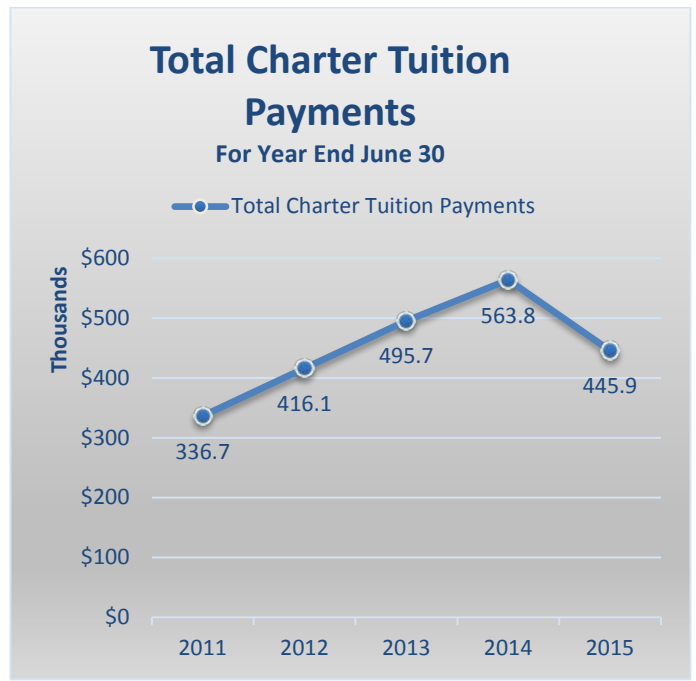
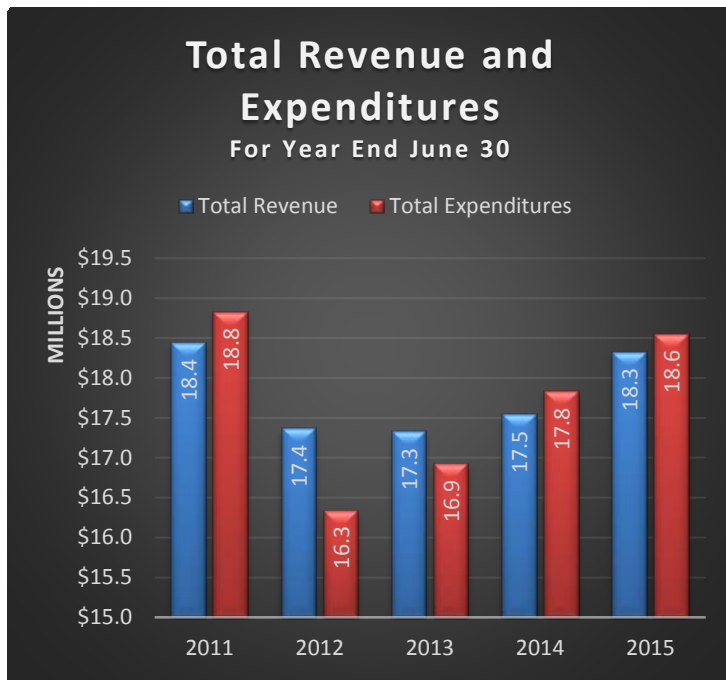


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**Note:** Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits and Compensated Absences.

## Financial Information Continued



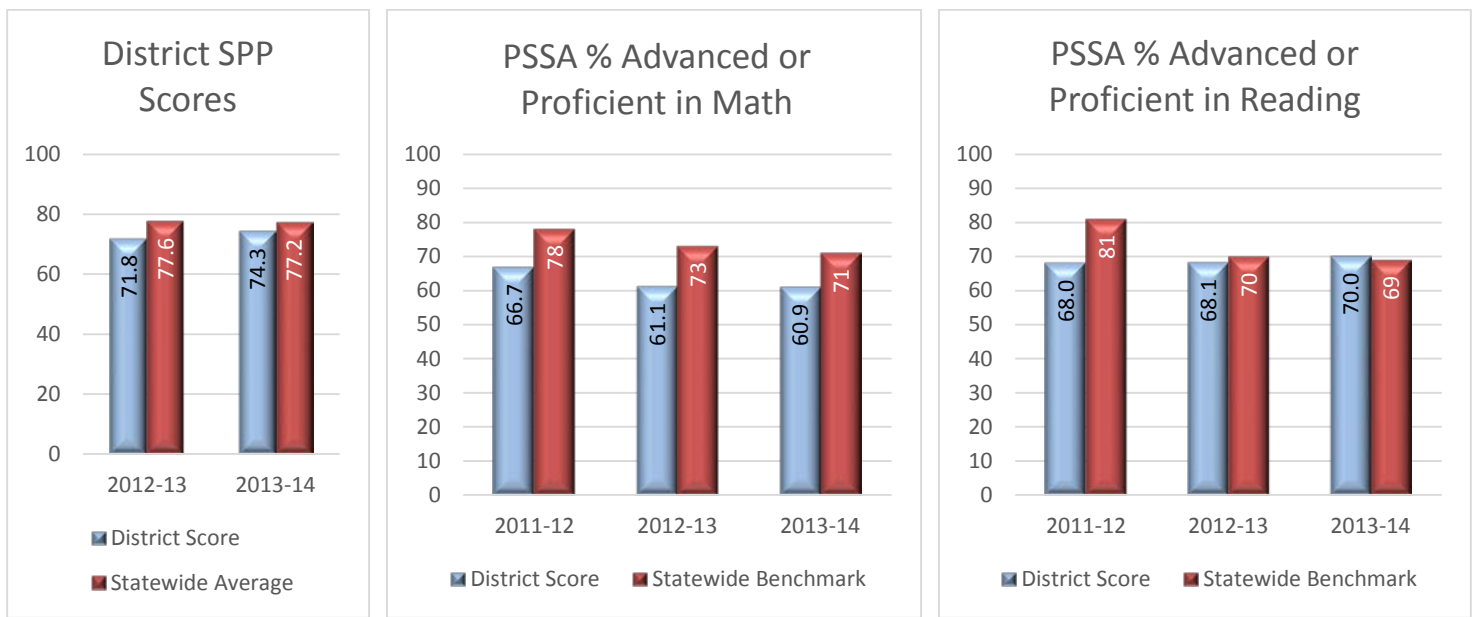
## Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.<sup>1</sup> These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.<sup>2</sup> PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.<sup>3</sup> District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

### Districtwide SPP and PSSA Scores

| District                      | SPP Scores |         | PSSA % Advanced or Proficient in Math |         |         | PSSA % Advanced or Proficient in Reading |         |         |
|-------------------------------|------------|---------|---------------------------------------|---------|---------|--|---------|---------|
|                               | 2012-13    | 2013-14 | 2011-12                               | 2012-13 | 2013-14 | 2011-12                                  | 2012-13 | 2013-14 |
| <i>Statewide Benchmark</i>    | 77.6       | 77.2    | 78                                    | 73      | 71      | 81                                       | 70      | 69      |
| <i>Bethlehem-Center SD</i>    | 71.8       | 74.3    | 66.7                                  | 61.1    | 60.9    | 68.0                                     | 68.1    | 70.0    |
| <i>SPP Grade</i> <sup>4</sup> | C          | C       |                                       |         |         |  |         |         |



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

<sup>2</sup> Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

<sup>3</sup> PSSA benchmarks apply to all district school buildings, charters, and cyber charters. 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 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>4</sup> The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

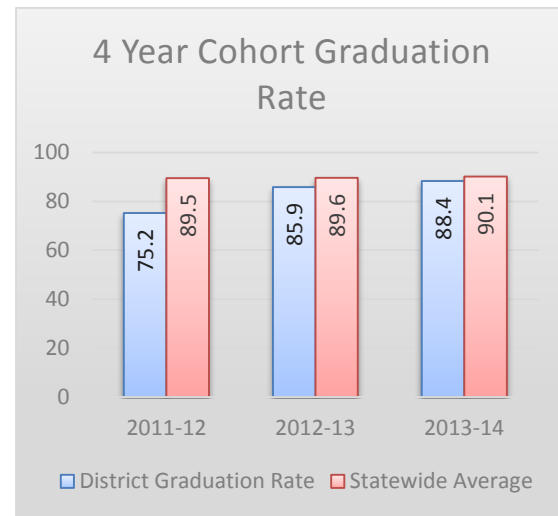
## Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District's school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.<sup>5</sup>

| School Name                    | SPP Scores  |             | PSSA % Advanced or Proficient in Math |             |             | PSSA % Advanced or Proficient in Reading |             |             |
|--------------------------------|-------------|-------------|---------------------------------------|-------------|-------------|--|-------------|-------------|
|                                | 2012-13     | 2013-14     | 2011-12                               | 2012-13     | 2013-14     | 2011-12                                  | 2012-13     | 2013-14     |
| <b>Statewide Benchmark</b>     | <b>77.6</b> | <b>77.2</b> | <b>78</b>                             | <b>73</b>   | <b>71</b>   | <b>81</b>                                | <b>70</b>   | <b>69</b>   |
| <i>Bethlehem-Center El Sch</i> | <b>66.3</b> | <b>73.9</b> | <b>80.3</b>                           | <b>75.9</b> | <b>75.4</b> | <b>62.9</b>                              | <b>63.2</b> | <b>66.2</b> |
| <i>Bethlehem-Center MS</i>     | <b>73.0</b> | <b>72.1</b> | <b>66.4</b>                           | <b>61.2</b> | <b>54.0</b> | <b>66.0</b>                              | <b>62.6</b> | <b>69.0</b> |
| <i>Bethlehem-Center SHS</i>    | <b>76.0</b> | <b>76.8</b> | <b>53.4</b>                           | <b>46.2</b> | <b>53.4</b> | <b>75.0</b>                              | <b>78.5</b> | <b>74.8</b> |

## 4 Year Cohort Graduation Rates

The 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.<sup>6</sup>



<sup>5</sup> PDE's data does not provide any further information regarding the reason a score was not published.

<sup>6</sup> <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

## **Finding(s)**

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



## Status of Prior Audit Findings and Observations

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Our prior audit of the District released on July 18, 2013, resulted in one finding and three observations, as shown below. 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 PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on July 18, 2013

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|                       |   |
|-----------------------|---|
| <b>Prior Finding:</b> | <b>Errors in Reporting Student Data Resulted in a \$22,036 State Subsidy Underpayment</b> |
|-----------------------|---|

|                               |  |
|-------------------------------|--|
| <u>Prior Finding Summary:</u> | During our prior audit of the District, we found errors in the nonresident student reports submitted by the District to PDE. These errors resulted in a \$22,036 state subsidy underpayment to the District for the 2009-10 school year. |
|-------------------------------|--|

|                               |   |
|-------------------------------|---|
| <u>Prior Recommendations:</u> | <p>We recommended that the District should:</p> <ol style="list-style-type: none"><li>1. Review the Pennsylvania Information Management System (PIMS) manual of reporting for instructions in the proper reporting of nonresident students.</li><li>2. Put into place policies and procedures for verifying student data reported to PDE through PIMS.</li><li>3. Review membership reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.</li></ol> |
|-------------------------------|---|

We also recommended that PDE should:

4. Adjust the District's allocations to correct the underpayment of \$22,036.

|                        |   |
|------------------------|---|
| <u>Current Status:</u> | During our current review, we noted that the District has taken corrective action and has implemented our recommendations. The District now requires that employees involved in report preparation and entry review the PIMS manual for the proper reporting procedures of nonresident students. The District has also created internal procedures for verifying the accuracy of student data reported to PDE through PIMS prior to submission. The District has reviewed the membership reports submitted to PDE for the years following the prior audit (2010-11 and 2011-12) and has verified that |
|------------------------|---|

no errors were made in the filing of PIMS data. Finally, as of June 29, 2017, the District has received \$9,380.91 of the \$22,036 we recommended from PDE.

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**Prior Observation No. 1: The District Lacks Sufficient Internal Controls Over Its Student Data**

Prior Observation

Summary:

During our prior audit of the District, we found that the internal controls over student data needed to be improved. The District's business manager was solely in charge of all aspects of PIMS reporting. There was also a lack of written instructions present at the District to allow another employee to handle PIMS reporting in the case of a sudden inability of the current PIMS officer to perform their duties.

Prior Recommendations:

We recommended that the District should:

1. Consider delegating the PIMS coordinator duties to personnel who would be dedicated to PIMS reporting.
2. Print out Student Information System (SIS) membership reports and PIMS reports after the PIMS upload is completed for that school year and perform reconciliations between the District's child accounting software data and the PIMS reports and retain them for our audit purposes.
3. Work in conjunction with the software vendor to determine why one student listed on the SIS state audit report was not uploaded to the PIMS student calendar fact template.
4. Correctly report days in session, "Act 80" days, lost days due to other reasons, total make-up days, and the last day of instruction when creating information for the PIMS School Calendar Template.
5. Properly report the days in session to ensure the correct reporting of the aggregate days of membership.
6. Develop documented procedures (e.g., procedure manuals, policies, or other written instructions) to ensure continuity over PIMS data submission if those involved persons were to leave the local education agency suddenly or otherwise be unable to upload PIMS data to PDE.

7. Review membership reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit reviewed reports to PDE.

Current Status:

During our current review, we noted that the District has implemented our recommendations. The District has delegated the PIMS coordinator duties to be shared by the individuals who are directly responsible for reporting (principals and attendance officers). The District now prints out both the SIS report and PIMS report, reconciles these to the child accounting software for the particular school year, and retains this reconciliation for audit purposes. No errors in student reporting or days in session were found during our current review. The District has developed written procedures and has adopted a policy for the entering of student data into the PIMS system. The District reviewed membership reports submitted to PDE for the years following the prior audit (2010-11 and 2011-12) and found no similar errors in PIMS reporting.

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**Prior Observation No. 2: The Amount Paid to Transportation Contractors Greatly Exceeds the Pennsylvania Department of Education Allowance**

Prior Observation

Summary:

During our prior audit of the District, we found that the District paid its transportation contractor substantially more than PDE's final formula allowance. District personnel stated the District's Board of School Directors (Board) did not seek competitive bids for the pupil transportation services.

Prior Recommendations:

We recommended that the District should:

1. Prior to negotiating a new contract, and in conjunction with the Board, should be cognizant of the state's final formula allowance cost formula.
2. Routinely seek competitive bids for all the District's pupil transportation services to ensure the most efficient cost to the District and its taxpayers.
3. Prepare pupil transportation contracts to ensure that the local effort share is as minimal as possible by establishing a base rate and increases that are in line with PDE's final formula allowance for all pupil transportation costs.
4. Have District personnel continually monitor and justify any increase in the District's pupil transportation costs.

Current Status:

The District had entered into an eight-year contract extension (with the current transportation contractor), without bidding, prior to the completion of our previous audit. This contract extension is scheduled to end on July 1, 2019.

In the interim, the District has held good faith negotiations with the bus company that have lowered the costs to the District. Contractor cost vs. formula allowance has decreased over the past four years, decreasing 14.6 percent from 2012-13 (213 percent) to 2015-16 (187 percent).

We continue to recommend that the District solicit competitive bids for transportation services prior to the end of the District's current contract.

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**Prior Observation No. 3: Lack of Segregation of Duties**

Prior Observation

Summary:

During our prior audit of the District, we found that the business manager's duties included preparing the accounts receivables, preparing the deposits, reconciling the bank statements, being the PIMS administrator/child accounting coordinator, the transportation coordinator, the student activity fund custodian, the food service custodian, overseeing the football concession stand, recording all free and reduced lunches for the cafeteria program, making calls to identify substitute teachers for the next day, and on December 3, 2012, the Board appointed the business manager as Acting Superintendent.

Prior Recommendations:

We recommended that the District should:

1. Ensure that the Board has information about the District's personnel and their assigned duties.
2. Develop internal controls through policies and procedures that adequately segregate duties to ensure that one individual does not control all key aspects of a transaction.
3. Direct the District's business manager to act in a supervisory capacity overseeing the staff who should perform the day-to-day duties.
4. Contact the District's local auditor to help the District improve internal controls.

Current Status:

Our current review noted that the District has implemented our prior recommendations. The District ensures that duties are adequately segregated through the use of job descriptions, job assignments, and hierarchy charts. The current business manager does not have the same responsibilities as during the previous audit. The District also meets annually with local auditors to review how to improve internal controls.

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## **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 Sections 402 and 403 of The Fiscal Code,<sup>7</sup> 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, 2012, through June 30, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls<sup>8</sup> to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which 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>7</sup> 72 P.S. §§ 402 and 403.

<sup>8</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, 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 reports of the District's basic financial statements for the fiscal years July 1, 2012, through June 30, 2015. 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:

- ✓ Data Integrity
- ✓ 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:

- ✓ Did the District ensure that the membership data it reported in the PIMS system was accurate, valid, and reliable?
  - To address this objective, we randomly selected 16 out of 1334 total registered students (5 resident, 1 nonresident, 5 intermediate units, and 5 area vocational-technical schools) from the vendor software listing for the 2014-15 through 2015-16 school year. We verified that each child tested had been appropriately registered with the District. In addition, we randomly selected 5 out of 48 school terms, reported on the Summary of Child Accounting, to verify that the school days reported on the Instructional Time Membership Report matched the number of days on the School Calendar Fact Template. We also determined if the District had written policies and procedures governing the reporting of membership data and if those procedures, when followed, ensure compliance. Our review of this area 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 clearances as outlined in applicable laws?<sup>9</sup> 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?

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<sup>9</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*.

- To address this objective, we randomly selected 5 of the 65 bus drivers hired by District bus contractors, during the school years July 1, 2015, through June 30, 2016, and 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 area did not disclose any reportable issues.
- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>10</sup>
  - 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 all three of the District's school buildings to assess whether the District had implemented basic safety practices.<sup>11</sup> Due to the sensitive nature of school safety, the results for our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials, and, if deemed necessary, with PDE.

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<sup>10</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>11</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.



## **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 Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

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**Mr. Nathan Mains**

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Pennsylvania School Boards Association  
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Mechanicsburg, PA 17050

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