

PERFORMANCE AUDIT

Carlisle Area School District Cumberland County, Pennsylvania

October 2017



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

Ms. Christina Spielbauer, Acting Superintendent
Carlisle Area School District
540 West North Street
Carlisle, Pennsylvania 17013

Mrs. Paula Bussard, Board President
Carlisle Area School District
540 West North Street
Carlisle, Pennsylvania 17013

Dear Ms. Spielbauer and Mrs. Bussard:

We have conducted a performance audit of the Carlisle Area 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:

- Contracting
- Financial Stability
- Bus Driver Qualifications
- Safe Schools
- Employment of an Annuitant
- Procurement Cards

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 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

October 26, 2017

cc: **CARLISLE AREA SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Background Information	1
Finding(s)	8
Status of Prior Audit Findings and Observations	9
Appendix: Audit Scope, Objectives, and Methodology	12
Distribution List	16

Background Information

School Characteristics 2015-16 School Year ^A	
County	Cumberland
Total Square Miles	77
Resident Population ^B	37,078
Number of School Buildings	11
Total Teachers	378
Total Full or Part-Time Support Staff	219
Total Administrators	35
Total Enrollment for Most Recent School Year	5,115
Intermediate Unit Number	15
District Vo-Tech School	Self-Operated

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

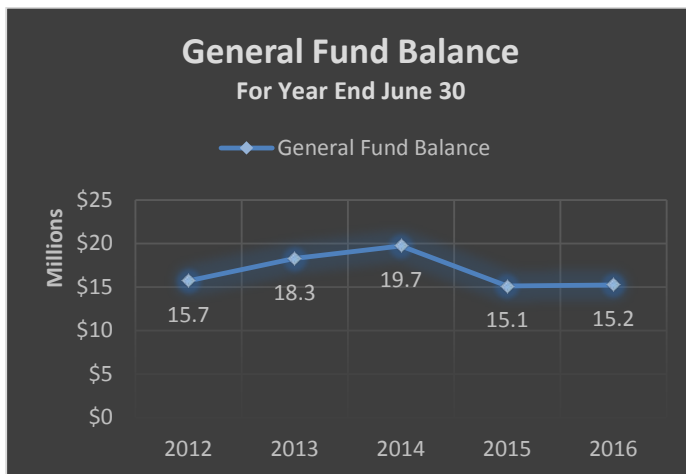
B - Source: United States Census
<http://www.census.gov/2010census>.

Mission Statement^A

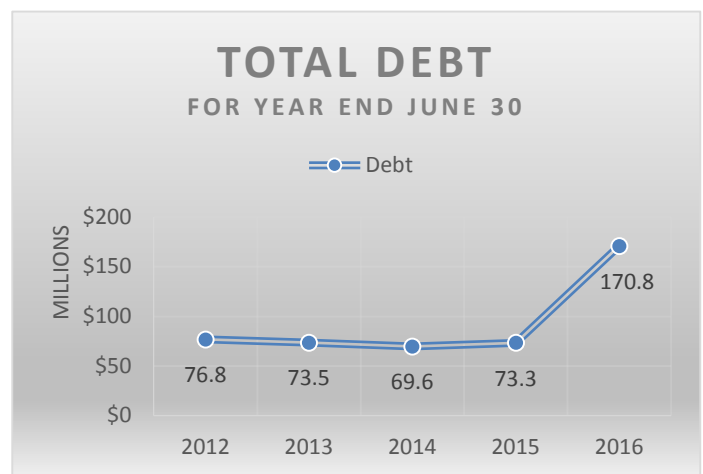
The Carlisle Area School District is committed to providing all students with educational and leadership opportunities to meet the challenge of personal responsibility, enabling them to become contributing members of our diverse society. The district will excel in student achievement, community engagement, and financial stewardship.

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**.

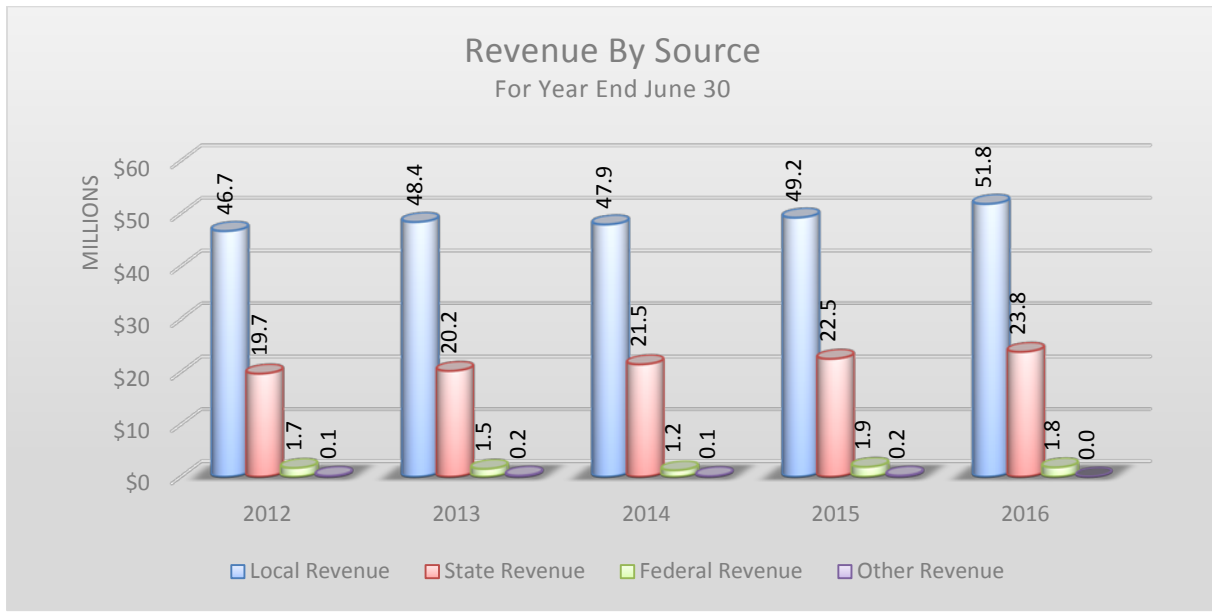
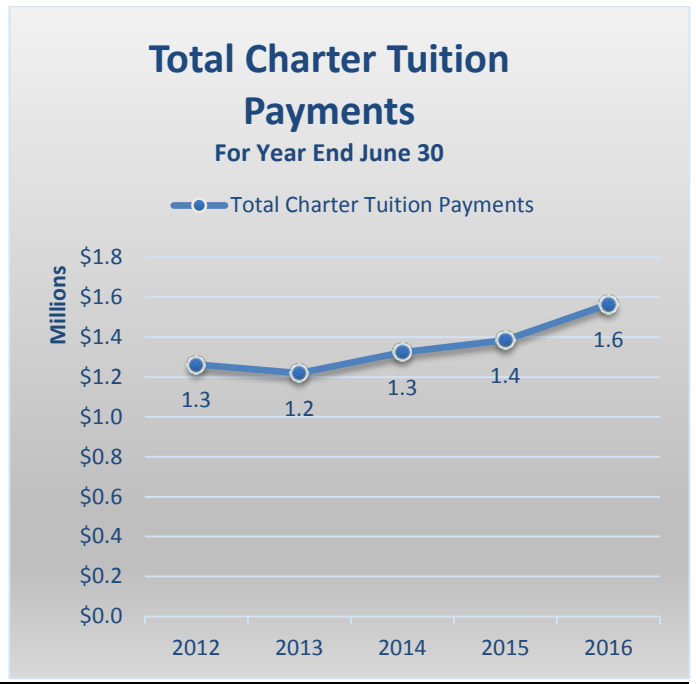
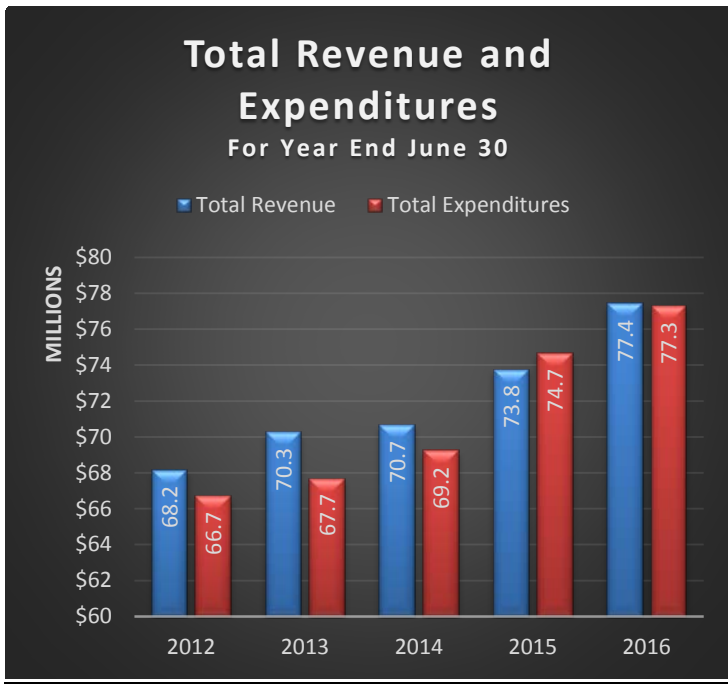


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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 graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA), Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2014-15 and 2015-16 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 chart.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. 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 exams), 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.

PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, 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 PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

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.

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

² 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 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 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 PSSA exams to align with state Common 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.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁵ 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 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 at least 2020. 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.

What is a 4-Year Cohort Graduation Rate?

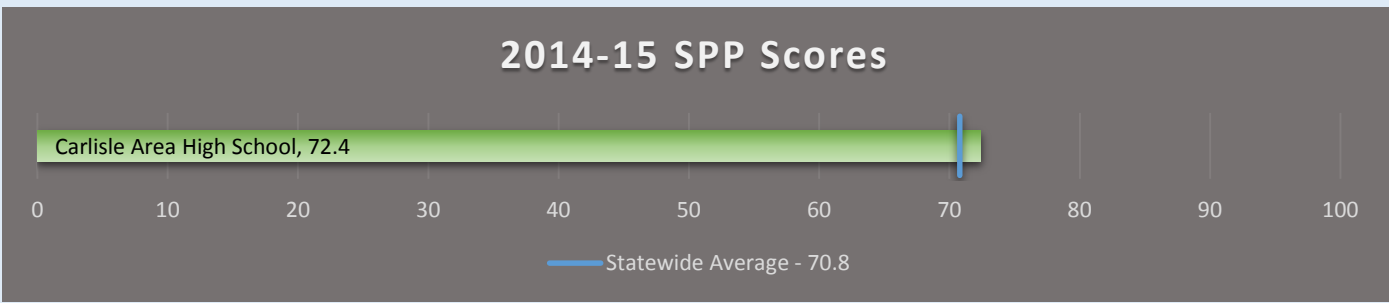
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student 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.⁶

⁵ 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. (Also, see footnote 4).

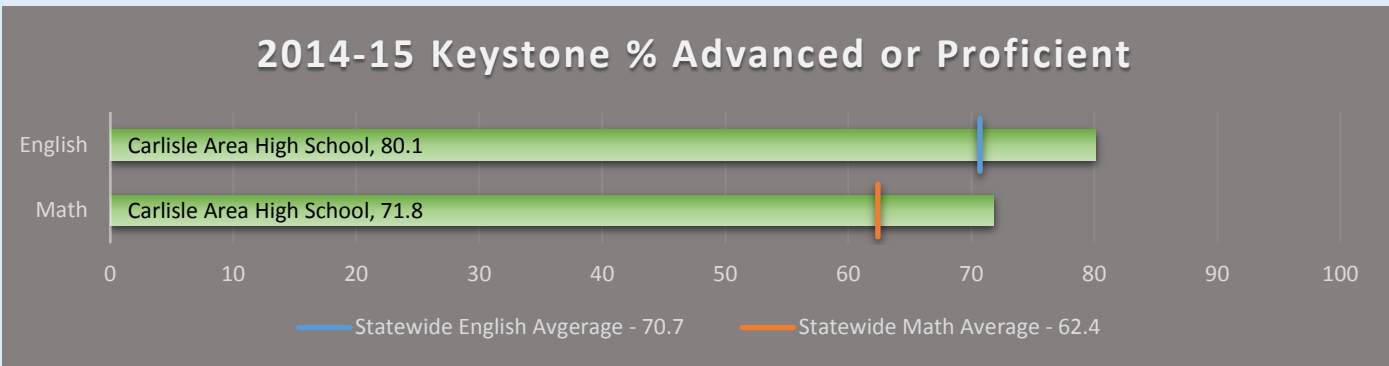
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

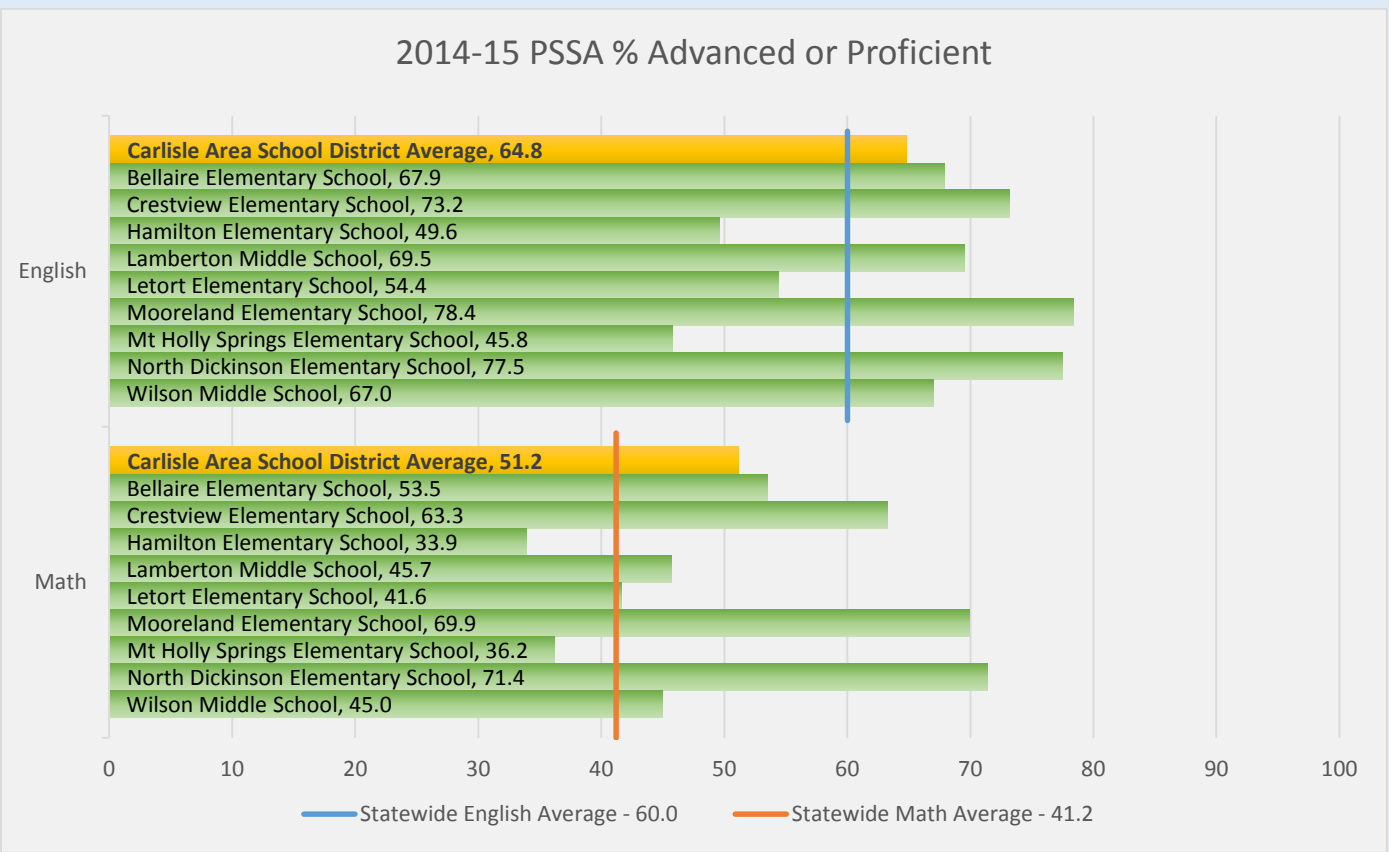
2014-15 SPP Scores



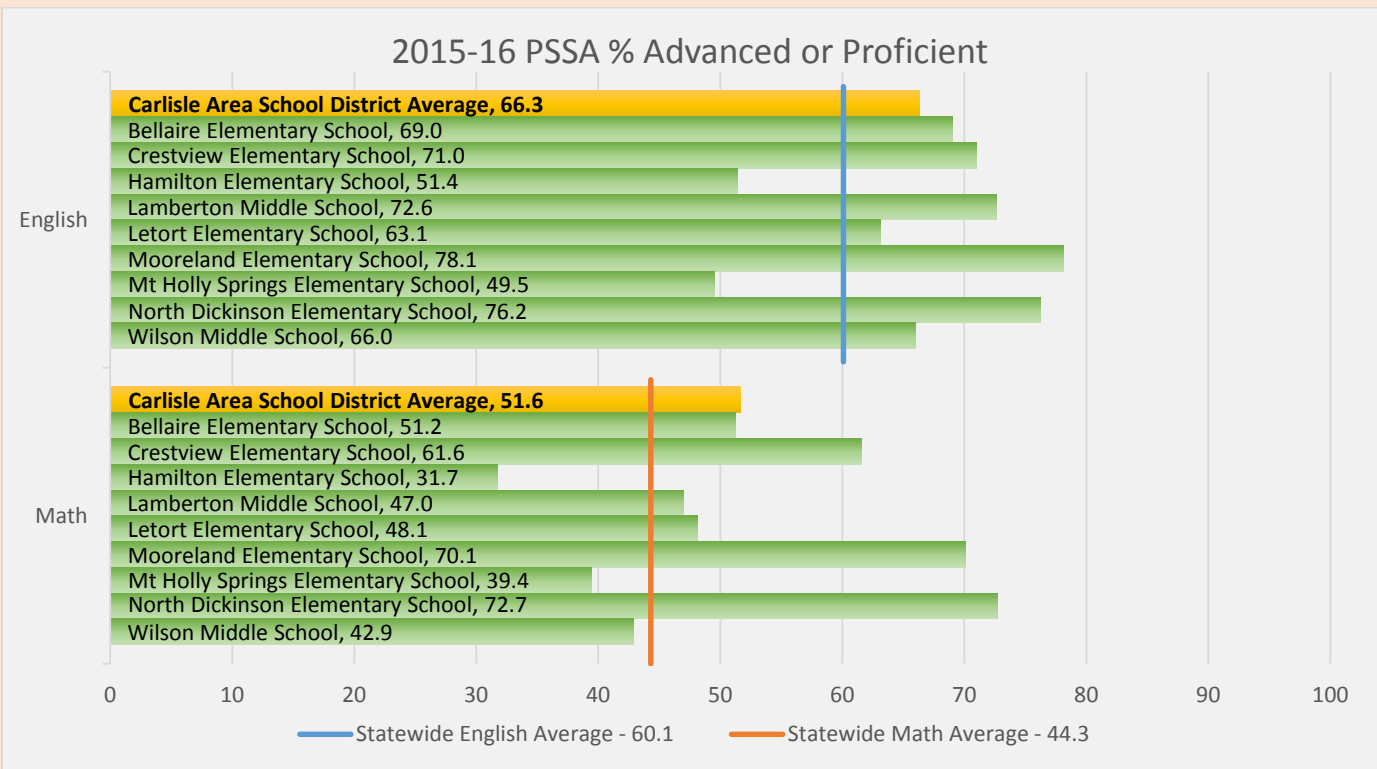
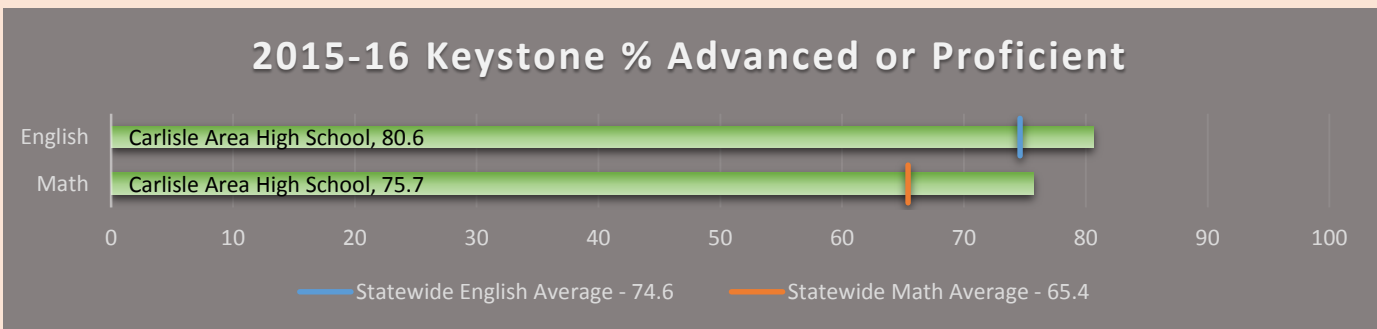
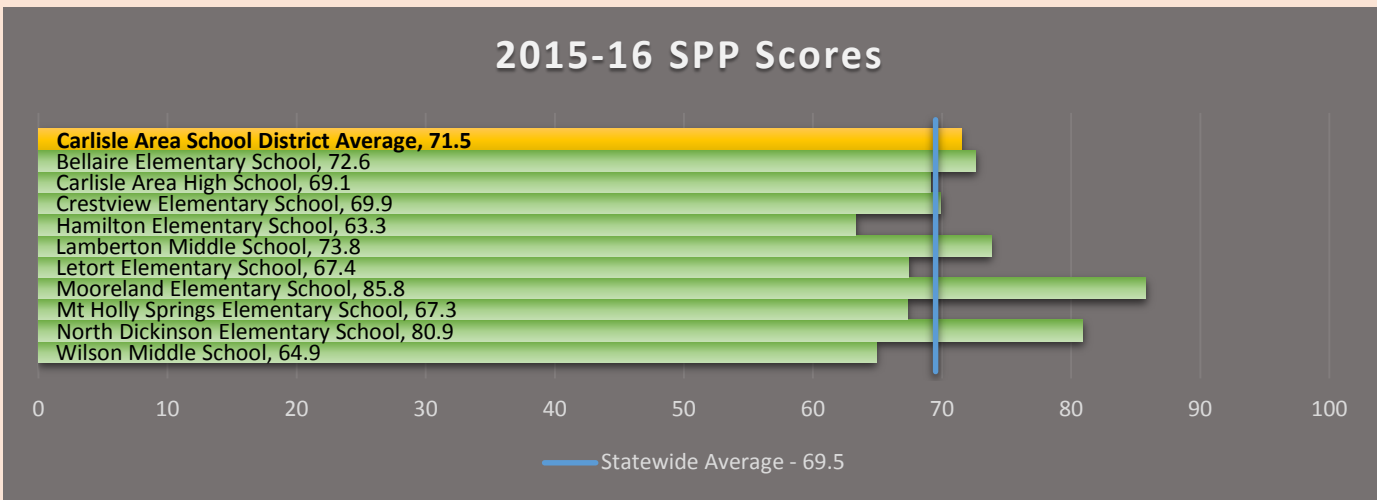
2014-15 Keystone % Advanced or Proficient



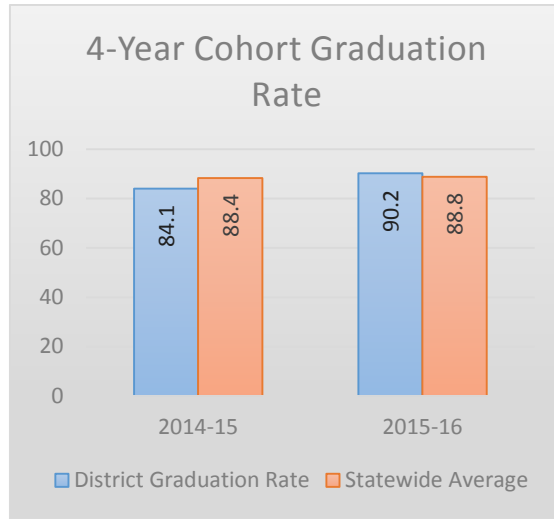
2014-15 PSSA % Advanced or Proficient



2015-16 Academic Data
School Scores Compared to Statewide Averages



4-Year Cohort Graduation Rates



Finding(s)

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

Status of Prior Audit Findings and Observations

Our prior audit of the District released on September 30, 2013, resulted in three findings 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 September 30, 2013

Prior Finding No. 1: Possible Ineligible Wages Reported to Public School Employees' Retirement System

Prior Finding Summary: Our prior audit of the District's retirement and payroll records for the 2011-12 and 2012-13 school years found that the District reported payments made to reimburse certain employees who were required to maintain a personal cellular phone for work use to the Public School Employees' Retirement System (PSERS) as eligible retirement wages. PSERS determined the wages were a reimbursement and not eligible to be reported as retirement wages.

Prior Recommendations: We recommended that the District should:

1. Based on PSERS final determination, report to PSERS any payment determined to be ineligible for retirement from the 2011-12 school year to current for proper resolution.
2. Obtain a PSERS eligibility determination prior to enacting any payments, stipends, longevity increases, reimbursements, etc., that are made in addition to employee base salaries.
3. Approve all individual salaries and salary increases through separate motions of the Board of School Directors to promote transparency and not through the budgeting process.
4. Ensure any wages determined to be ineligible for retirement are properly separated from wages reported to PSERS in the payroll system.

We also recommended that PSERS should:

5. Based on their final determination, adjust all payments made by the District that were determined to be ineligible wages from the 2011-12 school year to current.

Current Status:

The District filed an appeal with PSERS, asking PSERS to accept the reimbursement for cell phone expenses as retirement wages. PSERS denied this request. As of October 12, 2017, the ineligible payments we reported on during our prior audit and as of October 12, 2017, have not been adjusted by PSERS.

The District phased out the use of District used cell phones and the practice of reimbursing users for cell phone expenses. We are pleased that this practice has been eliminated by the District, but we continue to recommend that cell phone reimbursements identified in our prior audit be adjusted from retirement wages.

Prior Finding No. 2: Certification Deficiencies

Prior Finding Summary:

Our prior audit of the District's professional employees' certifications for the period August 10, 2010, through September 11, 2012, was performed to determine compliance with the Public School Code and PDE's Bureau of School Leadership and Teacher Quality (BSLTQ) Certification and Staffing Policies and Guidelines (CSPG). We found two individuals during the period August 10, 2010, through September 11, 2012, who were not properly certified for their positions. PDE confirmed our findings on December 12, 2012, and the District was subject to subsidy forfeitures of \$495, \$4,974, and \$2,988 for the 2010-11, 2011-12, and 2012-13 school years, respectively.

Prior Recommendations:

We recommended that the District should:

1. Based on (PDE) BSLTQ's final determination, take the necessary action required to ensure compliance with CSPG.
2. Submit all locally titled positions to (PDE) BSLTQ for review and determination of the appropriate certification for the positions.

We also recommended that PDE should:

3. Recover any subsidy forfeitures that may be levied.

Current Status:

The District implemented our prior recommendations, and PDE recovered the subsidy forfeitures on December 26, 2013.

Prior Finding No. 3: Internal Control Weaknesses Regarding Pupil Membership Data Reported to the Pennsylvania Department of Education

Prior Finding Summary: Our prior audit of the District's membership reporting for the 2009-10 school year found inaccuracies in the documentation District personnel provided to support the membership data they reported to PDE. The District was not able to provide the detailed reports used for reconciliation so the accuracy of the data could not be determined. It was further noted that the District operated a half-time kindergarten program during the 2009-10 school year. The membership days for those kindergarten students was reported at 50 percent instead of the 100 percent as required by the Pennsylvania Information Management System manual.

Prior Recommendations: We recommended that the District should:

1. Develop and implement procedures to ensure supporting documentation for membership data, which supports membership data reported to PDE, is retained in a manner that it can be retrieved and will be available for audit.
2. Develop and implement written procedures for collecting and maintaining membership data.
3. Develop and implement procedures to reconcile student detail reports to final PDE reports. If errors are noted, adjustments should be submitted to PDE.
4. Ensure that all resident and nonresident membership days are properly reported under the correct classification.
5. Review years subsequent to our audit and ensure data from the District is reconciled to final PDE reports. If adjustments are needed, they should be made.

Current Status: The District implemented all of our recommendations, except for developing written policies for collecting and maintaining membership data. The District was able to produce supporting documentation for all membership data reported to PDE. Using this documentation, we were able to confirm that membership data was correctly reported to PDE. To help ensure consistency and continuity of operations, we continue to recommend that the District develop and implement written procedures for collecting and maintaining membership data.

Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,⁷ 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 controls⁸ 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.

⁷ 72 P.S. §§ 402 and 403.

⁸ 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, 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:

- ✓ Contracting
- ✓ Financial Stability
- ✓ Bus Driver Qualifications
- ✓ Safe Schools
- ✓ Employment of an Annuitant
- ✓ Procurement Cards

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 significant contracts were properly obtained, approved, executed?

To address this objective, we reviewed the District's contracting monitoring policies and procedures. We selected 5 of the District's 21 construction projects that began between October 9, 2012, and May 18, 2016, for review. We also selected for review the District's contract with a fuel supplier during this time period. We determined these six contracts to be high risk after our audit planning process. For all six of these contracts, we reviewed the requests for proposals, bid submissions, and bid opening documentation. We also reviewed documentation to ensure that request for bids were publicly published, as well as the contracts. We reviewed this information to determine if the contracts were procured in accordance with the Public School District and District policies. Finally, we reviewed board meeting minutes and the Board of School Directors' Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District comply with the Public School Code regarding limitations on certain unreserved fund balances?⁹
 - To address this objective, we reviewed the District’s annual financial reports, General Fund budgets and independent auditor’s reports for fiscal years June 30, 2012, through June 30, 2016. The financial data in these reports was used to calculate budgeted unassigned fund balance to budgeted total expenditure percentages, budget to actual trends, and fund balance usage. We reviewed the District’s PDE-approved General Fund budgets for these years to ensure that fund balance as a percentage of total budgeted expenditures was below requirements set by PDE to increase real property taxes. 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 clearances as outlined in applicable laws?¹⁰ 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 5 of the 23 bus drivers hired by the District bus contractor from July 1, 2012, through January 26, 2017, 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 objective did not disclose any reportable issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹¹
 - To address this objective, we conducted on-site reviews at 3 of the District’s 11 school buildings (one elementary school, one middle school, and the high school) in March 2017 to assess whether the District had implemented basic safety practices.¹² We also determined if the District took corrective action to address weaknesses remaining from our prior safety review conducted during the 2012-13 school year. 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 school safety review were shared with District officials and if deemed necessary, PDE.

⁹ 24 P.S. § 6-688

¹⁰ 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*.

¹¹ 24 P.S. § 13-1301-A *et seq.*

¹² Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

- ✓ Did the District adhere to the guidelines stipulated by the Retirement Code¹³ which specifically define the ability of a Public School Employees' Retirement System retiree to be employed by a Pennsylvania public school in emergency, shortage of personnel, and extracurricular situations?
 - To address this objective, we examined the board approved agreement, payroll records, and IRS 1099 form for the one annuitant employed by the District during the time period July 1, 2012, through June 30, 2014. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District have adequate internal controls, including board-approved policies and procedures, over its procurement cards in order to safeguard the use of public funds?
 - We reviewed the District's procurement card policy and procedures, as well as interviewed District staff, to obtain an understanding of the District's procedures and internal controls. We reviewed the District's list of procurement card transactions from July 1, 2015, through June 30, 2016. We compared the total monthly procurement card amounts reported on bank statements to the monthly list of transactions for the entire 2016 calendar year to verify the reliability of the lists. We randomly selected and tested 93 of 2,246 transactions made during this year to determine if they were allowable per the board policy and administrative procedures. We also analyzed all 199 transactions over \$20,000 that occurred between July 1, 2012, and April 30, 2017, to determine if cardholders were adhering to the bidding process. We determined if User Agreements were in place between the cardholders and District, and also between the District and bank. We reviewed the procedures for setting card limits. We reviewed inventory procedures for items purchased on procurement cards to determine if they align with the standard inventory process. Our review of this objective did not yield reportable issues.

¹³ 24 Pa.C.S. Section 8346(b), (b.1).

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

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.