

# PERFORMANCE AUDIT

---

## Clarion Area School District Clarion County, Pennsylvania

---

April 2020



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**

Dr. Joseph L. Carrico, Superintendent  
Clarion Area School District  
221 Liberty Street  
Clarion, Pennsylvania 16214

Mr. Hugh Henry, Board President  
Clarion Area School District  
221 Liberty Street  
Clarion, Pennsylvania 16214

Dear Dr. Carrico and Mr. Henry:

Our performance audit of the Clarion Area School District (District) evaluated the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2014 through June 30, 2018, 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. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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".

Eugene A. DePasquale  
Auditor General

April 23, 2020

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

# Table of Contents

---

---

	Page
Executive Summary .....	1
Background Information .....	2
Findings .....	7
Finding No. 1 – The District Failed to Timely Apply for Reimbursements From the Commonwealth Related to an Approved Construction Project Resulting in a Delay of Revenue Totaling \$300,638 .....	7
Finding No. 2 – The District Failed to Obtain the Required Supporting Documentation to Verify the More Than \$1.2 Million Received in Regular Transportation Reimbursement Received for the 2014-2015 Through 2017-2018 School Years .....	11
Status of Prior Audit Findings and Observations .....	15
Appendix A: Audit Scope, Objectives, and Methodology .....	16
Appendix B: Academic Detail .....	20
Distribution List .....	24

## Executive Summary

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Clarion Area School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2014 through June 30, 2018, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2014-15 through 2017-18 school years.

### **Audit Conclusion and Results**

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

#### **Finding No. 1: The District Failed to Timely Apply for Reimbursements From the Commonwealth Related to an Approved Construction Project Resulting in a Delay of Revenue Totaling \$300,638.**

We found that the District failed to file reimbursement requests with the Pennsylvania Department of Education (PDE) for costs associated with a major construction project. The District entered into an agreement with a lending institution whereby the District received \$10 million in bond proceeds to pay expenses related to a construction project completed at the Clarion Area Elementary School in 2016. The principal and interest payments made by the District to the lending institution related to this bond were partially reimbursable by the Commonwealth through PDE. However, the District failed to timely

apply for the reimbursement of these payments totaling \$300,638, beginning in February 2018 (see page 7).

#### **Finding No. 2: The District Failed to Obtain the Required Supporting Documentation to Verify the More Than \$1.2 Million Received in Regular Transportation Reimbursement Received For the 2014-2015 Through 2017-2018 School Years.**

The District failed to obtain the required supporting documentation necessary for us to verify the accuracy of the \$1,224,128 received in regular transportation reimbursements during the 2014-15, 2015-16, 2016-17, and 2017-18 school years. The District's lack of understanding of PDE's requirements in regard to transportation reporting resulted in the District not obtaining the necessary source documentation for us to verify the reimbursements received and calculate the monetary effect of errors we identified (see page 11).

#### **Status of Prior Audit Findings and Observations.**

There were no findings or observations in our prior audit report.

## Background Information

School Characteristics 2018-19 School Year <sup>A</sup>	
County	Clarion
Total Square Miles	71
Number of School Buildings	2
Total Teachers	63
Total Full or Part-Time Support Staff	18 FT / 22 PT
Total Administrators	7
Total Enrollment for Most Recent School Year	802
Intermediate Unit Number	6
District Career and Technical School	Clarion County Career Center

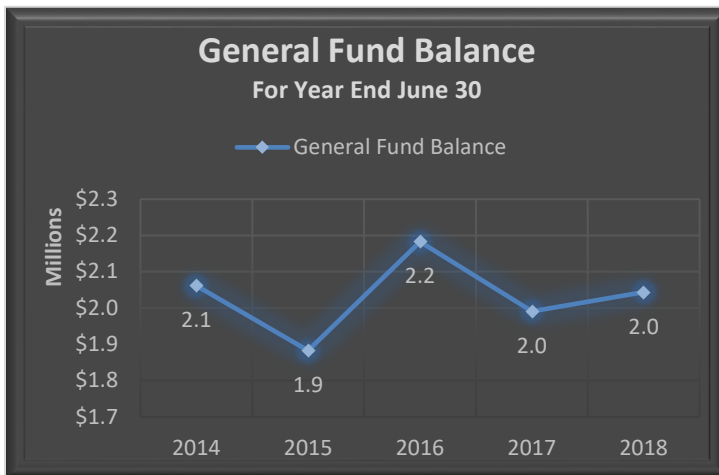
A - Source: Information provided by the District administration and is unaudited.

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

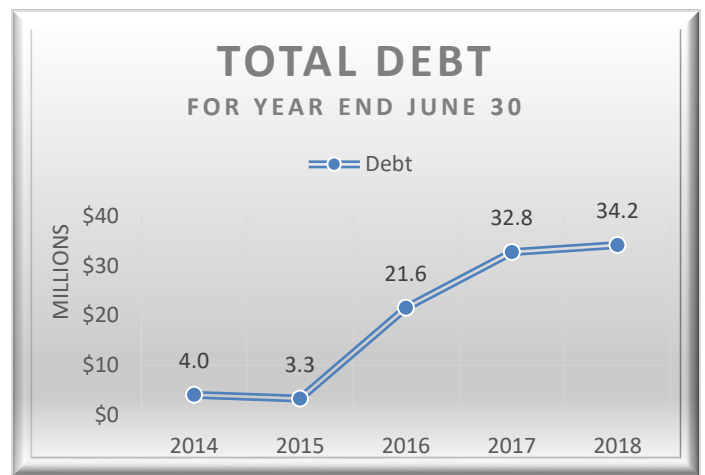
It is the mission of the Clarion Area School District to graduate students with the knowledge, critical thinking skills, and character necessary to become responsible and productive citizens.

## Financial Information

The following pages contain financial information about the Clarion Area School District (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**.

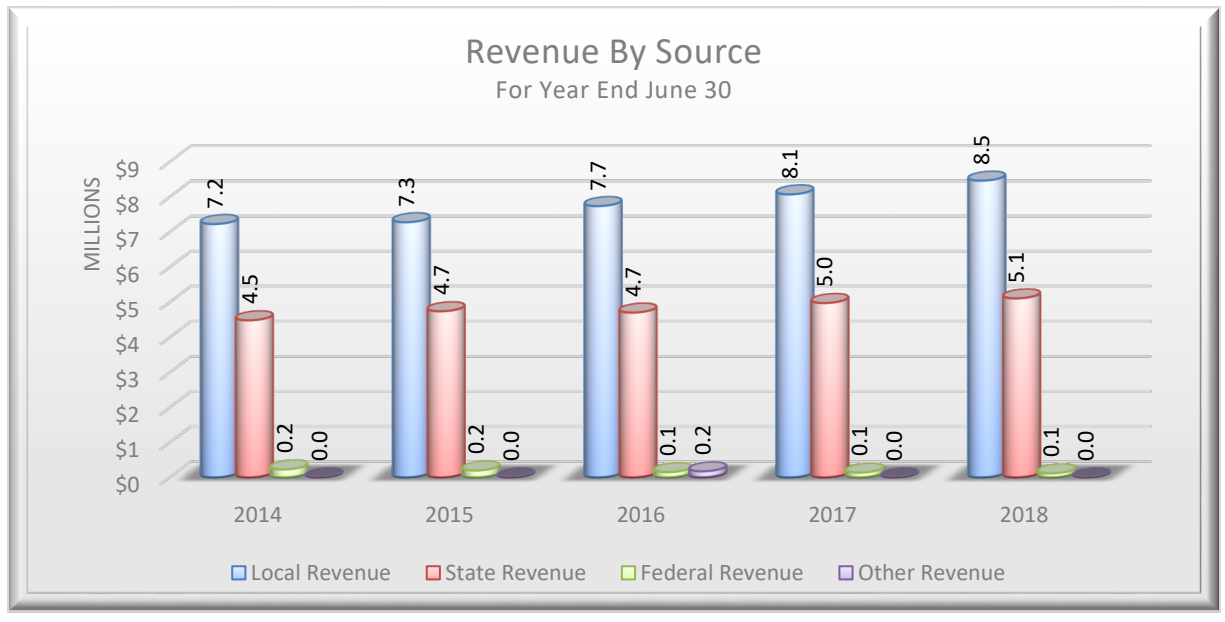
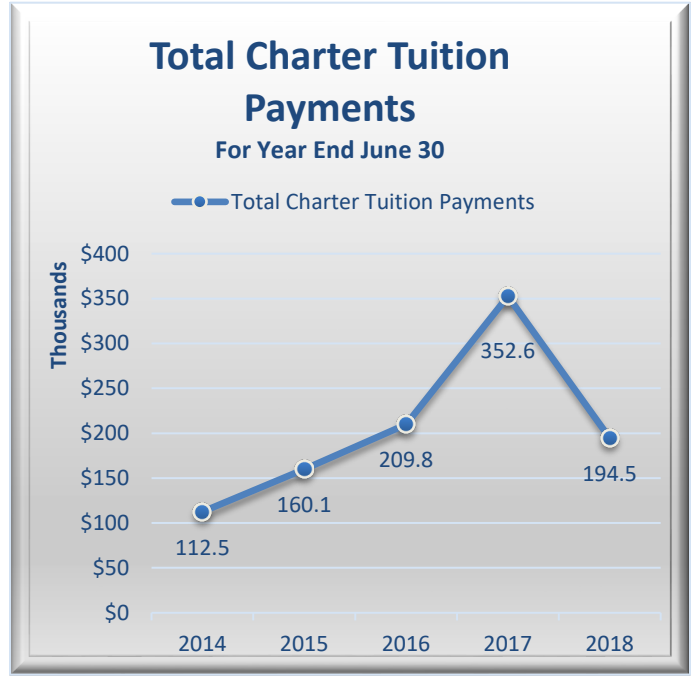
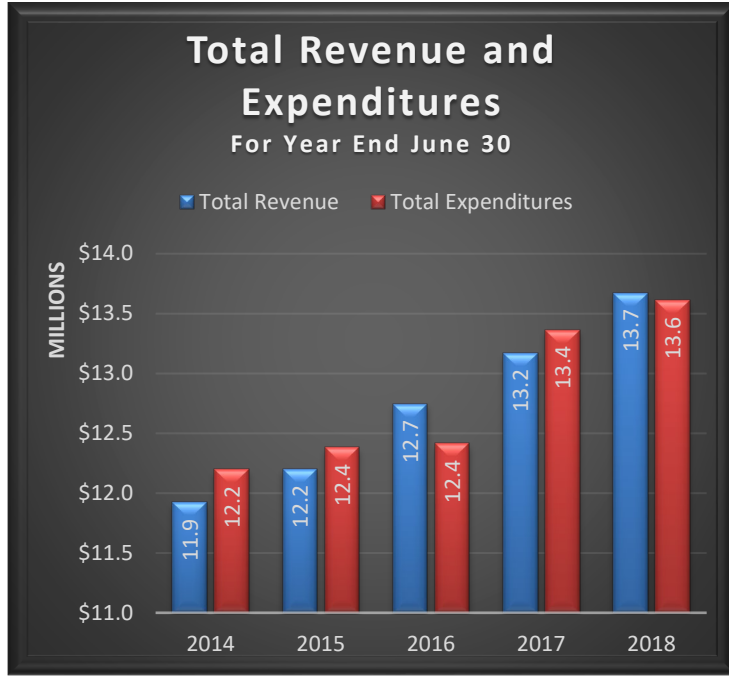


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

## Financial Information Continued

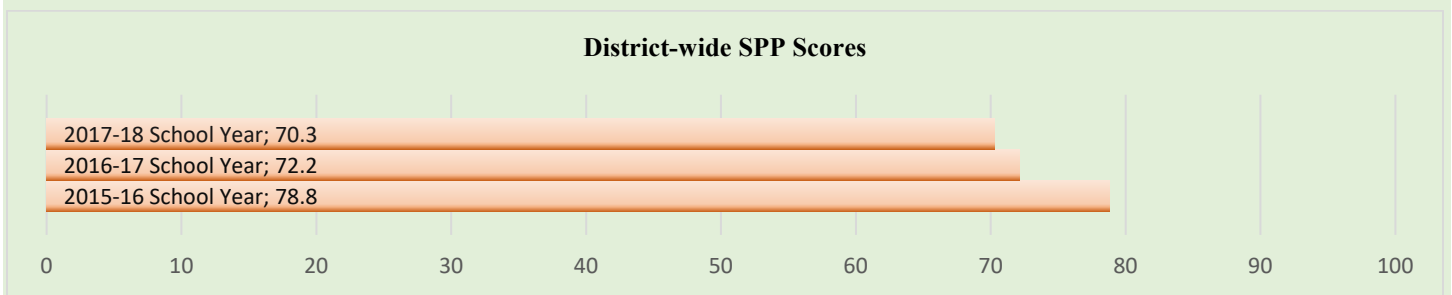


## Academic Information

The graphs on the following pages present the District-wide 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 PDE's data files for the 2015-16, 2016-17, and 2017-18 school years.<sup>1</sup> The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

### 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 annually using a 0-100 scale for all school buildings in the Commonwealth, 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.<sup>2</sup>



---

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

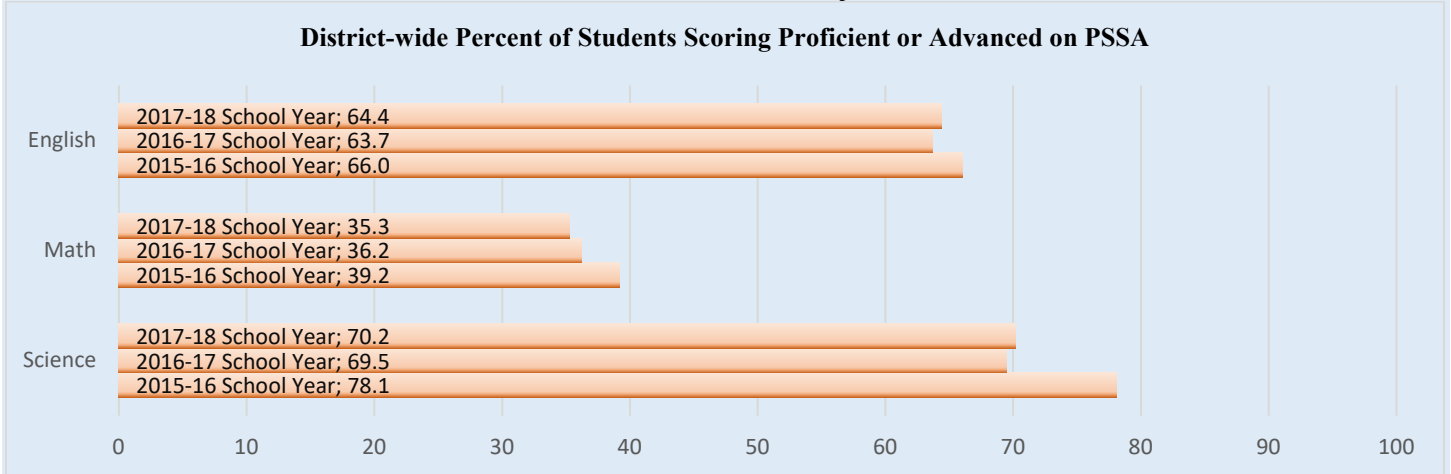
<sup>2</sup> PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

## Academic Information Continued

### What is the PSSA?

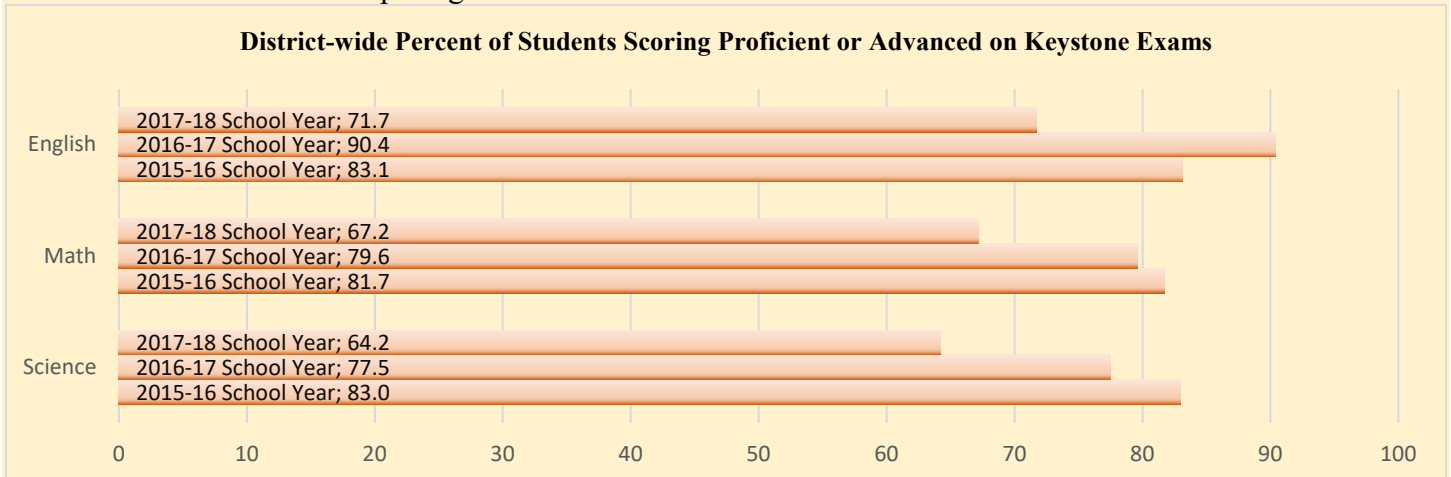
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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. 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 the 2020-21 school year.<sup>3</sup> 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.



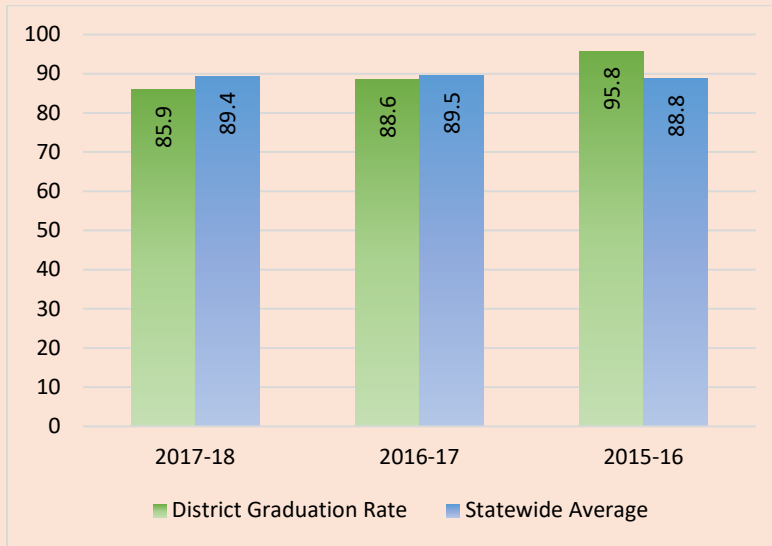
<sup>3</sup> Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1).



## Academic Information Continued

### 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 below.<sup>4</sup>



<sup>4</sup> 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>.

## Findings

### Finding No. 1

### The District Failed to Timely Apply for Reimbursements From the Commonwealth Related to an Approved Construction Project Resulting in a Delay of Revenue Totaling \$300,638

#### Criteria relevant to the finding:

Subsection (a) of Section 2575 (relating to Payments on account of leases hereafter approved and on account of sinking fund charges...) of the Public School Code (PSC) provides, in relevant part: “The Commonwealth shall pay annually to each school district erecting or sharing in the erection of a building or buildings. . . on account of buildings for which the lease is approved. . . an amount to be determined by multiplying the District’s capital account reimbursement fraction computed for the year 1967 or aid ratio whichever is larger by the approved reimbursable rental or approved reimbursable sinking fund charge.” See 24 P.S. § 25-2575(a).

Section 2576 (relating to Approval of Department...) of the PSC provides for the payment of rental and sinking fund reimbursement to districts only after the related building project and payment schedule have been approved by the Department of Education. See 24 P.S. § 25-2576.

We found that the Clarion Area School District (District) failed to file reimbursement requests with the Pennsylvania Department of Education (PDE) for costs associated with a major construction project. The District entered into an agreement with a lending institution whereby the District received \$10 million in bond proceeds to pay expenses related to a construction project completed at the Clarion Area Elementary School in 2016.<sup>5</sup> The principal and interest payments made by the District to the lending institution related to this bond were partially reimbursable by the Commonwealth through PDE. However, the District failed to timely apply for the reimbursement of these payments totaling \$300,638, beginning in February 2018.

#### Background

Under Section 2575(a) of the Public School Code (PSC), districts are eligible for reimbursements from the Commonwealth through PDE when districts borrow money to build/renovate district facilities.<sup>6</sup> To be eligible for reimbursement, each district must submit the details of the project to PDE and the project must be approved by PDE. Once the project is approved, districts can submit requests for reimbursement when principal and interest payments are made on bond issues relating to the project’s financing. Districts are not reimbursed in full for their costs, but are reimbursed for a portion of the costs based on a reimbursable percentage and aid ratio both set by the PDE.<sup>7</sup>

#### Delayed Reimbursement Applications

We found that as of March 16, 2020, the District had not submitted approved applications for reimbursement to PDE. According to the District’s Business Manager, she delayed submitting reimbursement applications to PDE because she incorrectly believed that the District’s

<sup>5</sup> The agreement is an official document in which the District promises to pay back an amount of money that it has borrowed and to pay interest for the borrowed money, twice a year.

<sup>6</sup> See 24 P.S. § 25-2575(a).

<sup>7</sup> Aid Ratio is a measure of local wealth that has been used in several education funding formulas for decades. The measure has a scale of 0.15 to 1, and it reflects the general wealth of the school district based on a school district’s total market value and personal income per student in comparison to the state total market value and personal income per student. A school district with a low aid ratio is relatively wealthy while a high aid ratio reflects low local wealth. <https://www.pasbo.org>. [The reimbursable percentage is set by PDE during the project approval process.](https://www.pasbo.org)

Criteria relevant to the finding  
(continued):

**PDE-2071 Instructions state, in part:**

“PDE-2071 may NOT be submitted until the PlanCon H has been approved by PDE.”

<https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Construction%20and%20Facilities/Reimbursable%20Projects/Forms%20and%20Instructions/2071%20PlanCon%20-CFRS%20Instructions.pdf>

construction project had to be completed before she could file for reimbursements. However, reimbursement requests could have been submitted as early as February 2018 when the project was approved by PDE. The District was notified in a letter from PDE, dated February 26, 2018, that the District’s “Project Financing” documentation was received, reviewed, and approved.

At that point, PDE issued the District a reimbursement percentage. Once approved by PDE, PDE is obligating the Commonwealth to pay a share of the District’s future principal and interest payments based on the reimbursement percentage and the District’s aid ratio. The PDE approval letter contains instructions that the letter should be entered into the minutes of the next board meeting. However, we confirmed that the PDE approval letter was not entered into the board meeting minutes.

The District made its first bond payment in December 2016 and made its next two bond payments during the 2017 calendar year. After receiving approval for reimbursement from PDE in February 2018, the District was eligible to submit reimbursement requests for the three bond payments made prior to receiving PDE approval and begin submitting for reimbursement for all future bond payments.

The table below shows the dates of the District’s bond payments related to PDE’s approved construction project; the dates the District was eligible to submit for reimbursement; the bond payment amounts; the District’s reimbursable percentage and aid ratio; and the reimbursement the District was eligible to receive.

<b>Clarion Area School District</b>					
<b>Bond Payments and PDE Reimbursement</b>					
<b>Date of District Bond Payment (a)</b>	<b>Month and Year District was Eligible to Submit For Reimbursement (b)</b>	<b>Bond Payment Amount<sup>8</sup> (c)</b>	<b>Reimbursable Percentage (d)</b>	<b>Aid Ratio (e)</b>	<b>Reimbursement Eligible For and Not Received = (c x d x e)</b>
12/1/2016	2/2018	\$ 113,438	.4854	.5283	\$ 29,090
6/1/2017	2/2018	\$ 141,797	.4854	.5283	\$ 36,362
12/1/2017	2/2018	\$ 141,797	.4854	.5153	\$ 35,467
6/1/2018	6/2018	\$ 311,797	.4854	.5153	\$ 77,989
12/1/2018	12/2018	\$ 139,247	.4854	.5530	\$ 37,378
6/1/2019	6/2019	\$ 314,247	.4854	.5530	\$ 84,352
	<b>Total</b>	<b>\$1,162,322</b>		<b>Total</b>	<b>\$300,638</b>

<sup>8</sup> Each payment amount includes both principal and interest.

*Criteria relevant to the finding  
(continued):*

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (Washington, D.C.: November 1999, pps. 4-5) state that "Internal control . . . serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. . . . Internal control should provide reasonable assurance that the objectives of the agency are being achieved in the following categories: . . .

- Reliability of financial reporting, including: reports on budget execution, financial statements, and other reports for internal and external use."

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (Washington, D.C.: November 1999, pps. 11-12) state that "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, [and] performance reviews. . . ."

The standards list examples of control activities that include top level reviews of actual performance, reviews by management at the functional or activity level, accurate and timely recording of transactions and events, access restrictions to and accountability for resources and records, and appropriate documentation of transactions and internal control.

As discussed earlier, the District official responsible for filing for reimbursement incorrectly believed that the District was ineligible to file for reimbursement until the construction project was complete. Additionally, the District did not have written procedures in place regarding the tasks involved with the District fully complying with PDE's reimbursement filing requirements. Documented procedures that specified when the District was eligible to file for PDE reimbursement could have helped the District receive its reimbursements timely. The District's failure to establish proper internal controls over the reimbursement process meant that the District was reliant on one official to file for over \$300,000 in reimbursements. The District would likely have continued to delay receiving reimbursements if our audit had not identified this significant concern.

The District's failure to apply for reimbursements for its December 2016 payments forward resulted in a loss of operational revenue in excess of \$300,000 over the three year period. The failure to file timely for reimbursements prevented the District from being able to utilize these funds for operational purposes throughout the period. It also impacted the District's operational decisions when developing the District's annual budget since not all available revenue was being considered in budgetary discussions.

## **Recommendations**

The *Clarion Area School District* should:

1. Ensure that employees involved in applying and filing for construction reimbursements are adequately trained on PDE's requirements and guidelines.
2. Establish written procedures over applying for and filing for PDE reimbursements for construction projects in accordance with the PSC. Ensure that these procedures include segregation of duties, so that no single administrator has complete autonomy over the process. In doing so, it should include a review process by an employee other than the employee responsible for applying and filing for reimbursement.
3. Apply to PDE for all bond principal and interest payments made to date for the approved construction project cited in this finding.

## **Management Response**

District management agreed with our finding and provided no additional response.

### **Auditor Conclusion**

We are pleased that the District agreed with our finding and are confident that implementing our recommendations will address the issue identified in the finding.

## Finding No. 2

### The District Failed to Obtain the Required Supporting Documentation to Verify the More Than \$1.2 Million Received in Regular Transportation Reimbursement Received for the 2014-2015 Through 2017-2018 School Years

#### *Criteria relevant to the finding:*

##### **Student Transportation Subsidy**

The PSC provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 (relating to Payments on account of pupil transportation) of the PSC specifies the transportation formula and criteria. See 24 P.S. § 25-2541.

##### **Total Students Transported**

Section 2541(a) of the PSC states, in part: "School districts shall be paid by the commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable pupils transportation incurred by the district by the district's aid ratio.

In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes..." See 24 P.S. § 25-2541(a).

The District failed to obtain the required supporting documentation necessary for us to verify the accuracy of the \$1,224,128 received in regular transportation reimbursements during the 2014-15, 2015-16, 2016-17, and 2017-18 school years. The District's lack of understanding of PDE's requirements in regard to transportation reporting resulted in the District not obtaining the necessary source documentation for us to verify the reimbursements received and calculate the monetary effect of errors we identified.

School districts receive two separate transportation reimbursement payments from PDE. One reimbursement is broadly based on the number of students transported on each vehicle, the number of days each vehicle was used for transporting students, and the number of miles that vehicles are in service, both with and without students (regular transportation reimbursement). The other reimbursement is based solely on the number of nonpublic school and charter school students transported (supplemental transportation reimbursement). The issues discussed in this finding pertain to the District's regular transportation reimbursements.

Regular transportation reimbursement is based on several components that are reported by the District to PDE for use in calculating the District's annual reimbursement amount. These components include, but are not limited to, the following:

- Total number of days each vehicle was used to transport students to and from school.
- Miles traveled with and without students for each vehicle.
- Number of students assigned to each vehicle.

Since the above listed components are integral to the calculation of the District's regular transportation reimbursement, it is essential for the District to properly calculate, record, and report this information to PDE. PDE provides instructions to help districts report this information accurately. Relevant portions of these instructions are cited in the criteria section of this finding.

Criteria relevant to the finding (continued):

**Sworn Statement and Annual Filing Requirements**

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. See 24 P.S. § 25-2543.

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” of the PSC 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.) Ibid.

**PDE instructions for Local Education Agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE.**

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf>  
(Accessed on 3/27/20.)

It is also important to note that the PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for transportation reimbursements. The Clarion Area School District completed this sworn statement for all four school years discussed in this finding. It is essential that the District accurately report transportation data to 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 PDE’s reporting requirements. An official signing a sworn statement must be aware that by submitting the transportation data to PDE, he/she is asserting that the information is true and that they have verified evidence of accuracy.<sup>9</sup>

The table below illustrates the number of vehicles and students transported for each year of the audit period and the regular transportation reimbursements for each school year.

Clarion Area School District			
Regular Transportation Reimbursement Data			
School Year	Number of Vehicles Reported	Total Number of Students Transportation	Regular Transportation Reimbursement Received
2014-15	16	588	\$ 259,209
2015-16	18	601	\$ 283,918
2016-17	16	576	\$ 303,191
2017-18	17	633	\$ 377,810
<b>Totals</b>	<b>67</b>	<b>2,398</b>	<b>\$1,224,128</b>

PDE guidelines state the District should report the number of miles per day to the nearest tenth mile that each vehicle travels with and without students, and if that figure changes during the year, to calculate and report an average. The District contracted with one vendor to provide transportation services. The contractor used both buses and vans to transport students. The District accepted monthly reports from its contractor that only showed total miles traveled with and without students. The reported mileage was not recorded to a tenth of a mile and an odometer reading was not recorded at every stop as required. The reports provided by the contractor were duplicated from month to month and did not account for any modifications of routes throughout the school year. The District’s use of these reports to calculate the average miles with and without students was not in accordance with PDE guidelines.

<sup>9</sup> Please note that while a sworn statement is different from an affidavit, in that a sworn statement is not typically signed or certified by a notary public but are, nonetheless, taken under oath. See <https://legaldictionary.net/sworn-statement/> (accessed September 4, 2019).

*Criteria relevant to the finding  
(continued):*

Daily Miles With

Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average.

Daily Miles Without

Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Pupils Assigned

Report the greatest number of pupils assigned to ride this vehicle at any one time during the day. Report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned changed during the year, calculate a weighted average or a sample average.

Number of Days

Report the number of days (a whole number) this vehicle provided to and from school transportation. Count any part of a day as one day. Depending upon the service the vehicle provided, this number could exceed or be less than the number of days the district was in session; however, summer school or "Extended School Year" (Armstrong v. Kline) transportation may not be included in this number. "Early Intervention" program transportation may be included. If the district received a waiver of instructional days due to a natural or other disaster (such as a hurricane), the waiver does not extend to transportation services. Only days on which transportation was actually provided may be reported.

PDE guidelines require that the number of students reported to PDE should be reported as the greatest number of students assigned to ride on the vehicle on a specific route at any one time during the day. When the number of students assigned to a vehicle changes during the year, districts are required to compute and report an average per vehicle. The District did not follow these instructions and instead reported the number of students based on a contractor provided report that was not based on greatest number of students assigned for the year. The District used a seating assignment chart for each route prepared by the contractor in September of each school year. The report listed each student and their assigned seat on the bus. The contractor then duplicated these reports for all subsequent months during the school year.

Finally, PDE limits reimbursements of transportation costs to those incurred within the set school year. According to PDE guidelines, days of service outside the District's annual calendar are not reimbursable and the miles and students transported associated with those days should not be included in District's calculations submitted for reimbursement. The days and related miles reported by the District outside of the set school year are referred to as extended school year.<sup>10</sup> The District inaccurately reported to PDE the number of days and miles for some of the vans transporting District students due to the inclusion of miles and days that were incurred outside of the District's set school year. We were unable to confirm the amount of reimbursement that the District was overpaid for reporting extended school year data due to the lack of adequate source documentation obtained for mileage and number of students transported.

The District official responsible for compiling and reporting transportation data during the audit period was unaware that the source documentation provided by the contractor to the District were not in compliance with PDE's reporting guidelines. The District was unaware of PDE's approved method for calculating averages and the data for mileage, days, and number of students that was necessary to accurately report transportation data.

The District lacked internal controls over compiling and reporting transportation data. The District did not have written procedures regarding the accurate compilation and reporting of transportation data. Further, we found that the District official responsible for the collection and reporting of transportation data during the audit period did not have a full understanding of PDE's reporting guidelines/requirements. The District was also reliant on one District employee to compile and report transportation data. The District did not have an employee independent of the employee compiling and calculating transportation data review the data prior to reporting to PDE.

<sup>10</sup> An extended school year is referred to days that are out of the ordinary of a normal school year calendar and are commonly days used to transport students to summer school or field trips.



The District's failure to obtain the required source documentation precluded us from determining the accuracy of the more than \$1.2 million the District received in regular transportation reimbursements. The District did not require its transportation contractor to provide transportation data in accordance with PDE guidelines and in turn, we were unable to determine the monetary effect of errors we identified when the District incorrectly reported mileage and days traveled to transport students to extended school year activities. Transportation reimbursement is a significant revenue source for the District and it is important that current District officials make reporting accurate transportation data to PDE a priority so the District receives the correct amount of transportation reimbursement.

### **Recommendations**

The *Clarion Area School* District should:

1. Ensure personnel in charge of calculating, reviewing and reporting transportation data are all trained with regard to PDE's reporting requirements.
2. Develop written administrative procedures for transportation reporting. These procedures should include a review of transportation data by an employee other than the employee who prepared the data to provide additional assurance of the accuracy of the information before it is submitted to PDE.
3. Review transportation reports completed or in process for the 2018-19 and 2019-20 school years and, if necessary, submit revised reports to PDE.

### **Management Response**

District management agreed with our finding and provided no additional response.

### **Auditor Conclusion**

We are pleased that the District agreed with our finding and are confident that the implementation of our recommendations will address the issues discussed in the finding.

## **Status of Prior Audit Findings and Observations**

---

**O**ur prior audit of the Clarion Area School District resulted in no findings or observations.

## Appendix A: 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,<sup>11</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, 2014 through June 30, 2018. In addition, the scope of each individual audit objective is detailed on the next page.

The Clarion Area 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).<sup>12</sup> 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.

---

<sup>11</sup> 72 P.S. §§ 402 and 403.

<sup>12</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, 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, 2014 through June 30, 2018. 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
- ❖ Bond Payment Reimbursements for District Construction Projects
- ❖ 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 apply for PDE reimbursement of costs related to District construction projects?<sup>13</sup>
  - ✓ To address this objective, we interviewed District personnel to gain an understanding of the District's process of submitting reimbursement requests for costs related to construction projects approved by PDE. We obtained and reviewed bond payment history, amortization schedules, reimbursement applications, and PDE project related correspondence to determine if the District received the proper reimbursement in accordance with PDE guidelines. The results can be found in the Finding No. 1 on page 7 of this report.
- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?<sup>14</sup>
  - ✓ To address this objective, we interviewed District personnel to gain an understanding of the District's procedures for obtaining and reporting transportation data to PDE. Initially, we attempted to review calculations for miles with and without students, number of student transported, and total number of days students were transported by randomly selecting 8 out of the 17 vehicles used to transport students during the 2017-18 school year. However, the District did not retain the required source documentation to verify the accuracy of the vehicles selected for the 2017-18 school year. Subsequently, we obtained the supporting documentation used to report miles with and without students, number of students, and number of days transported for the remaining nine vehicles used to transport students during the 2017-18 school year and all

---

<sup>13</sup> See 24 P.S. §§ 2574.

<sup>14</sup> See 24 P.S. §§ 25-2541.

vehicles for the 2014-15 through the 2016-17 school years.<sup>15</sup> The results can be found in the Finding No. 2 on page 11 of this report.

We also reviewed all students reported to PDE as reimbursable due to residing on a Pennsylvania Department of Transportation (PennDOT) determined hazardous walking route for the 2017-18 school year.<sup>16</sup> We reviewed PennDOT determined hazardous walking route documentation and verified that all students reported to PDE as reimbursable resided on a PennDOT determined hazardous walking route. Our review did not disclose any reportable issues.

- Did the District ensure that all individually contracted employees who separated employment from the District were compensated in accordance with their contract? Also, did the District comply with the Public School Code<sup>17</sup> and the Public School Employees' Retirement System guidelines when calculating and disbursing final salaries and leave payouts for these contracted employees?
  - ✓ To address this objective, we reviewed the contracts, settlement agreement, board meeting minutes, board policies, and payroll records for the one individually contracted administrator who separated employment from the District during the period July 1, 2014 through June 30, 2018. Our review of this objective did not disclose any reportable issues.
- Did the District ensure that all bus drivers transporting District students are Board approved and had the required driver's license, physical exam, training, background checks, and clearances<sup>18</sup> as outlined in applicable laws?<sup>19</sup> Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
  - ✓ To address this objective, we randomly selected 10 of the 27 bus drivers transporting District students as of January 29, 2020.<sup>20</sup> 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 ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.
- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, memorandums of understanding with local law enforcement, and fire drills?<sup>21</sup> Also, did the District follow best practices related to physical building security and providing a safe school environment?

---

<sup>15</sup> The District reported 16 vehicles used to transport students during the 2014-15 school year, 18 vehicles used to transport students during the 2015-16 school year, and 16 vehicles used to transport students during the 2016-17 school year.

<sup>16</sup> The District reported 140 students as reimbursable due to residing on a hazardous walking route for the 2017-18 school year.

<sup>17</sup> 24 P.S. § 10-1073(e) (2) (v).

<sup>18</sup> Auditors reviewed the required state, federal and child abuse background clearances that the District obtained 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.

<sup>19</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.

<sup>20</sup> 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.

<sup>21</sup> 24 P.S. § 13-1301-A *et seq.*, 35 Pa.C.S. § 7701, and 24 P.S. § 15-1517.

- ✓ To address this objective, we reviewed a variety of documentation including, safety plans, evidence of physical building security assessments and school climate surveys, training schedules, anti-bullying policies, safety committee meeting minutes, fire drill documentation, and after action reports. Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report, but they were shared with District officials, PDE's Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.<sup>22</sup>

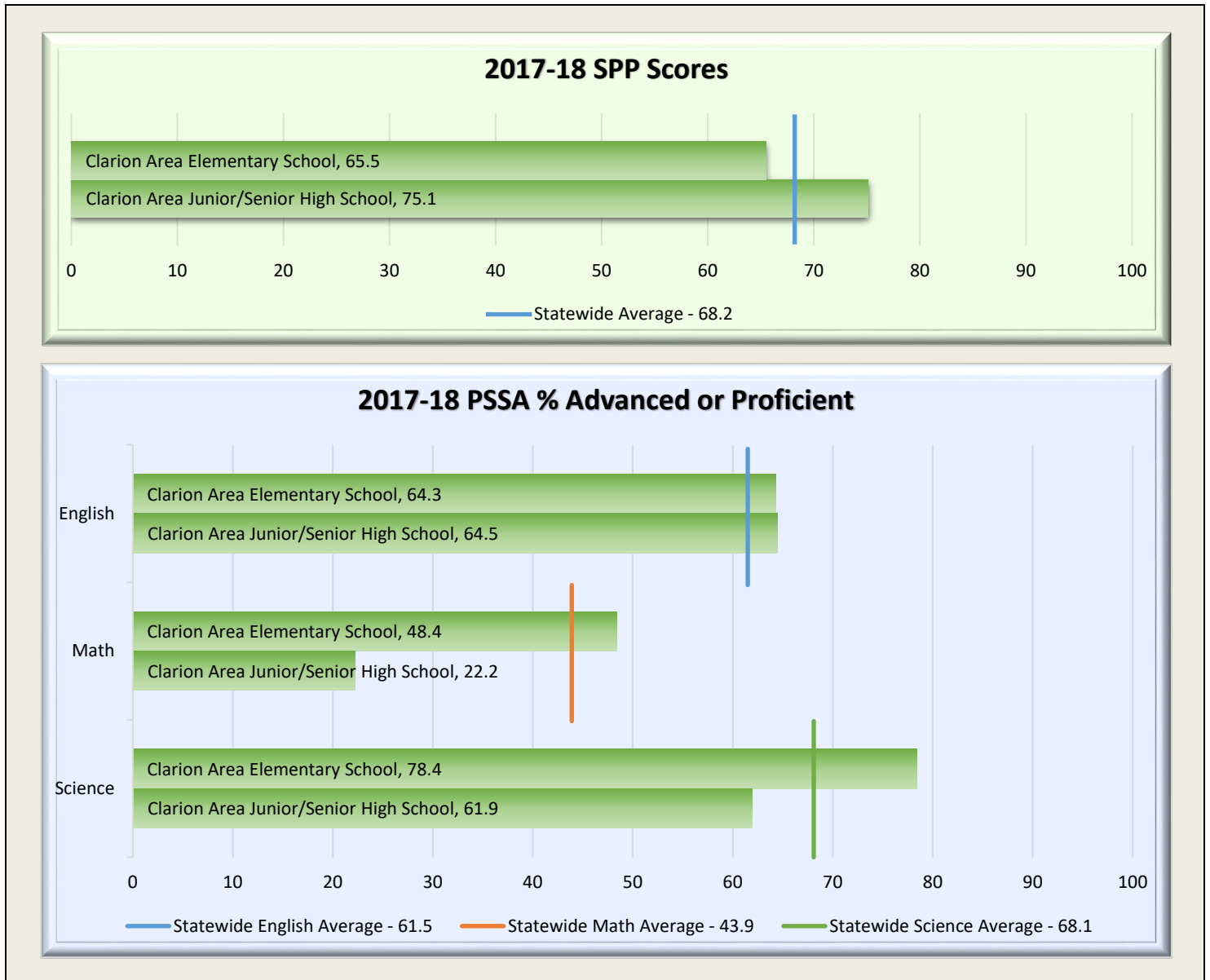
---

<sup>22</sup> Other law enforcement agencies include the Pennsylvania State Police, the Attorney General's Office, and local law enforcement with jurisdiction over the District's school buildings.

## Appendix B: Additional Academic Detail

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.<sup>23</sup> 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.<sup>24</sup>

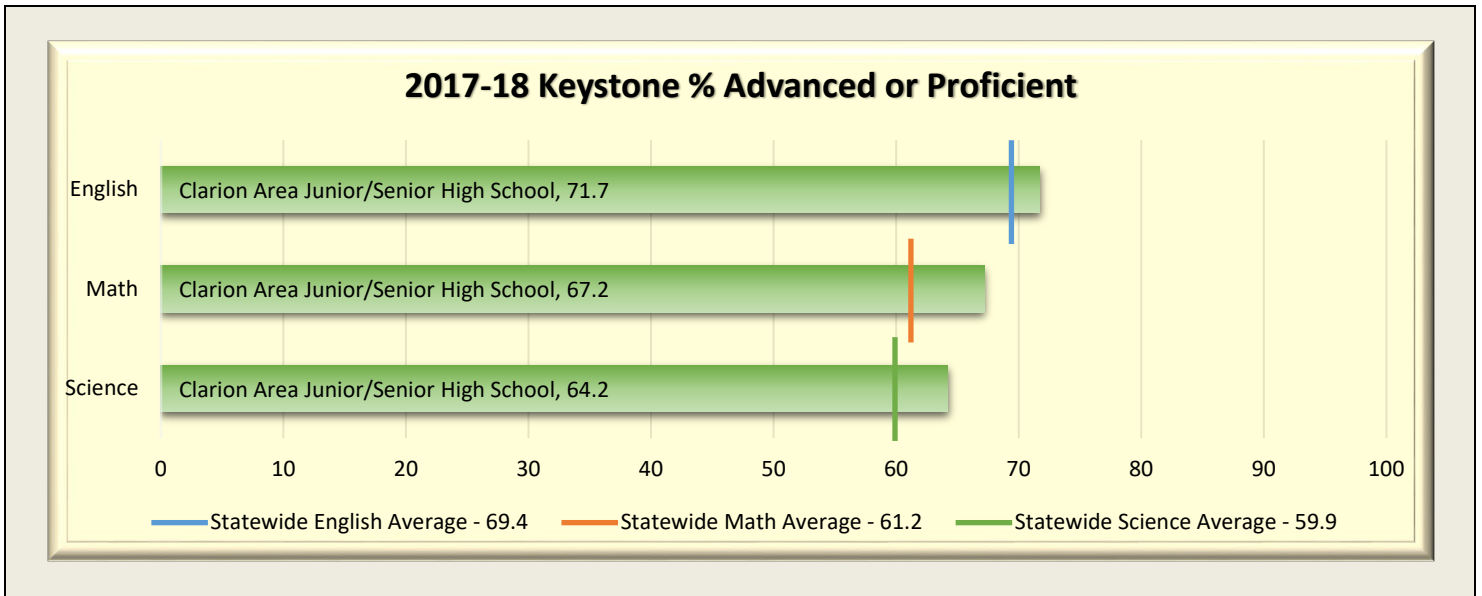
### 2017-18 Academic Data School Scores Compared to Statewide Averages



<sup>23</sup> 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.

<sup>24</sup> 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.

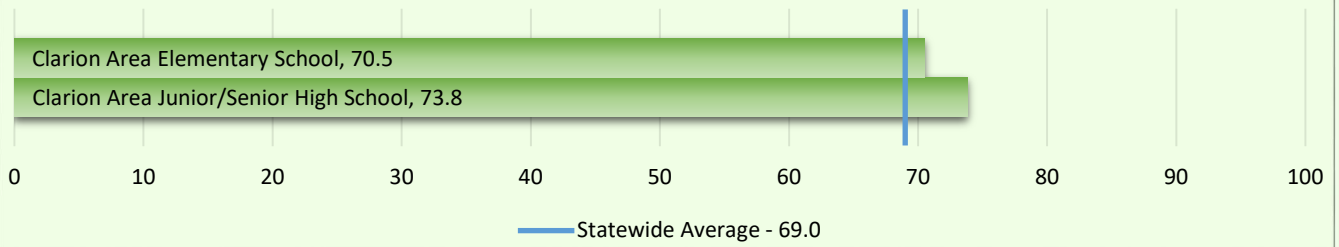
**2017-18 Academic Data**  
**School Scores Compared to Statewide Averages (continued)**



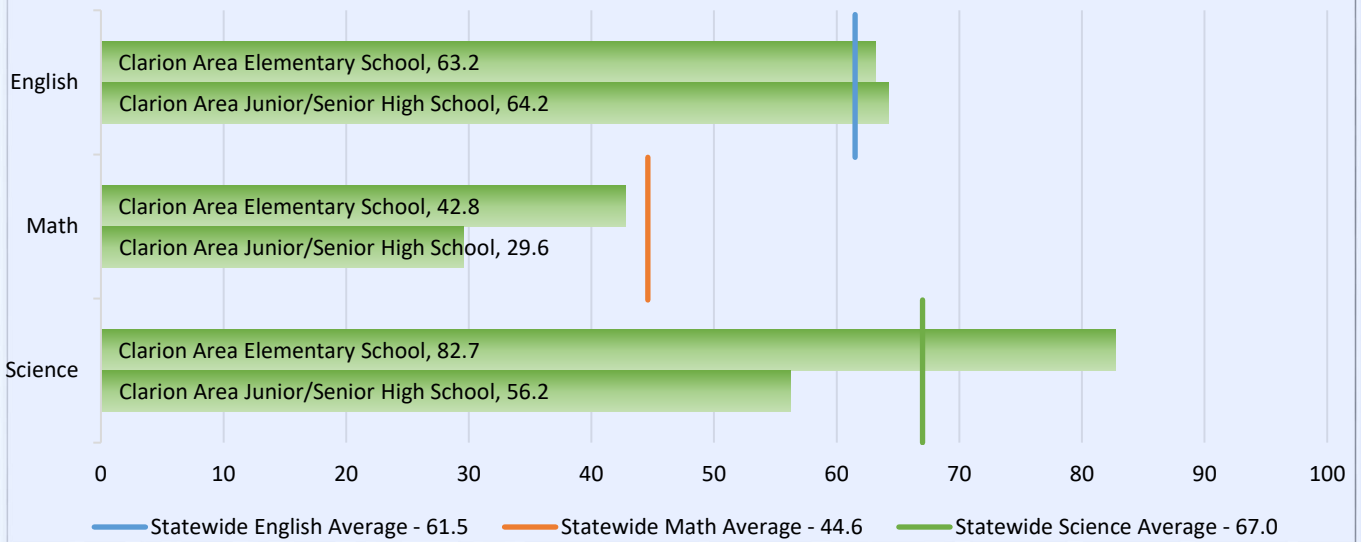


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**

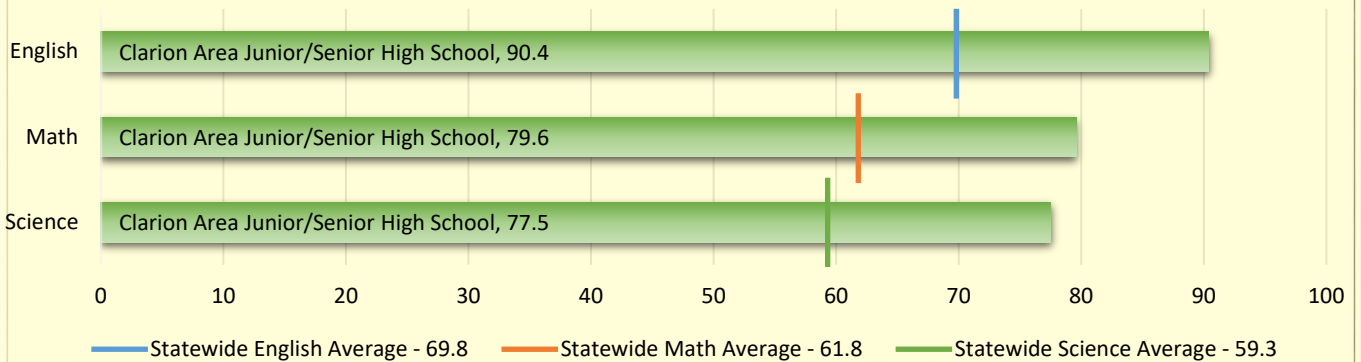
**2016-17 SPP Scores**



**2016-17 PSSA % Advanced or Proficient**

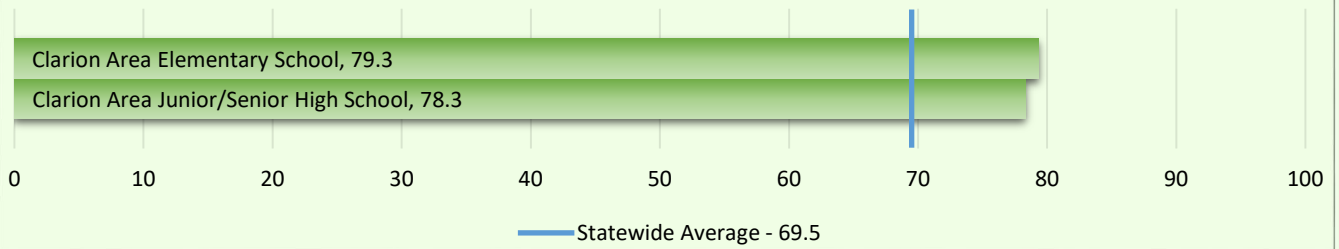


**2016-17 Keystone % Advanced or Proficient**

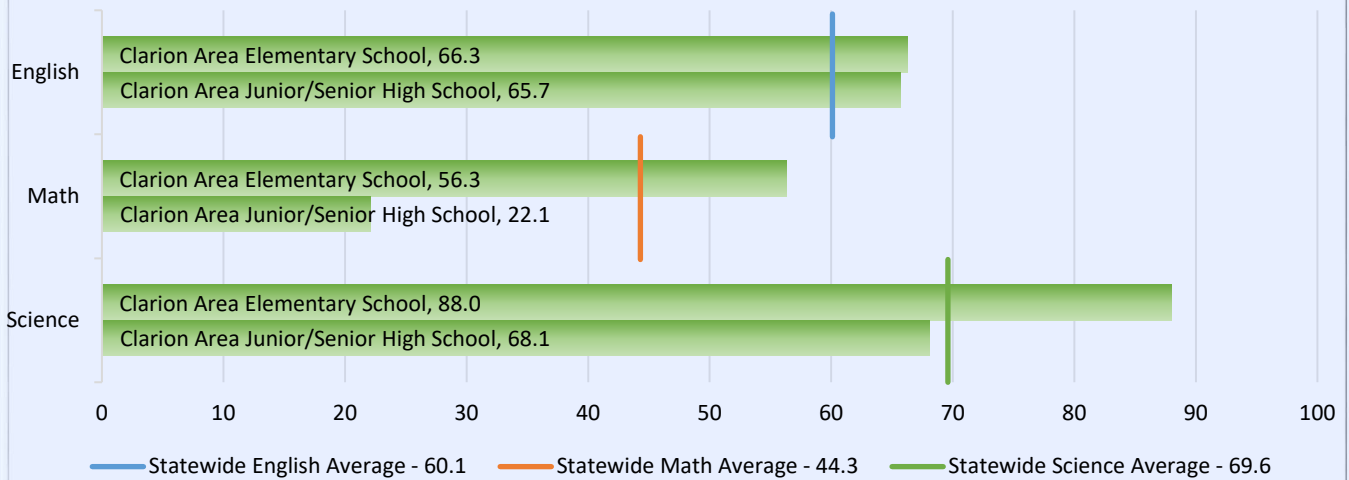


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

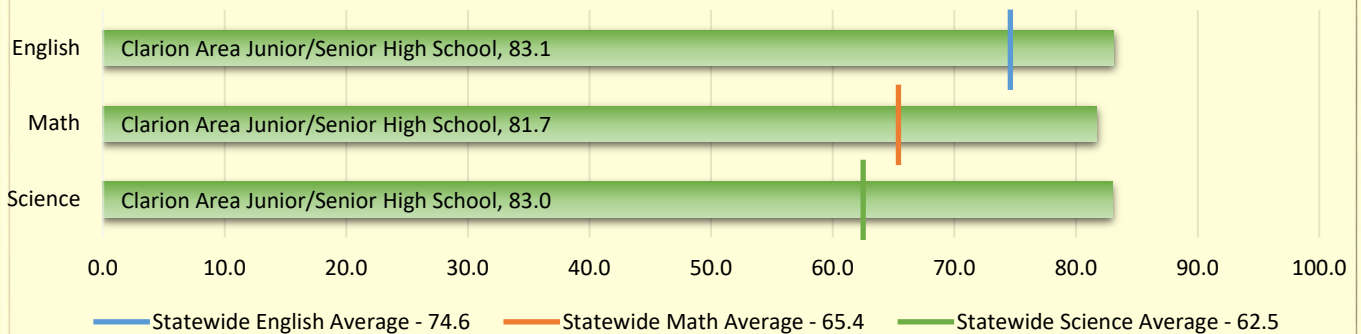
**2015-16 SPP Scores**



**2015-16 PSSA % Advanced or Proficient**



**2015-16 Keystone % Advanced or Proficient**



## **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](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [News@PaAuditor.gov](mailto:News@PaAuditor.gov).