

PERFORMANCE AUDIT

Dallas School District Luzerne County, Pennsylvania

March 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Thomas J. Duffy, Superintendent
Dallas School District
2010 Conyngham Avenue
P.O. Box 2000
Dallas, Pennsylvania 18612

Mrs. Kristin Pitarra, Board President
Dallas School District
2010 Conyngham Avenue
P.O. Box 2000
Dallas, Pennsylvania 18612

Dear Dr. Duffy and Mrs. Pitarra:

Our performance audit of the Dallas School District (District) determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 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 full 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.

Dr. Thomas J. Duffy
Mrs. Kristin Pitarra
Page 2

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,



Eugene A. DePasquale
Auditor General

March 16, 2020

cc: **DALLAS SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Dallas 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 and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 1, 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 complied, in all significant respects, with certain relevant state laws, regulations, contracts, and administrative procedures, except for two findings.

Finding No. 1: The District Inaccurately Reported Nonresident Student Data Resulting in an Overpayment of \$55,148 and Lacked the Required Documentation to Verify Additional Nonresident Students.

We found that the District had adequate supporting documentation for only 10, or 15 percent, of the nonresident foster students reported to the Pennsylvania Department of Education (PDE). Of the other 57 nonresident foster students reported to PDE, we were able to determine that 7 were inaccurately reported and the District was overpaid \$55,148. The remaining 50 students reported to PDE lacked the required supporting documentation for us to conclude on the accuracy of the reported residency status. The District was reimbursed

\$345,823 for these 50 students, and we could not confirm the accuracy of the reimbursements received (see page 7).

Finding No. 2: The District Inaccurately Reported Transportation Data Resulting in an Underpayment of \$16,804.

The District was underpaid \$16,804 in regular transportation reimbursements from PDE. This underpayment was the result of the District failing to report students transported and eligible for reimbursement (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 ^A	
County	Luzerne
Total Square Miles	46.1
Number of School Buildings	4
Total Teachers	176
Total Full or Part-Time Support Staff	94
Total Administrators	11
Total Enrollment for Most Recent School Year	2,492
Intermediate Unit Number	18
District Career and Technical School	West Side Career & Technology Center

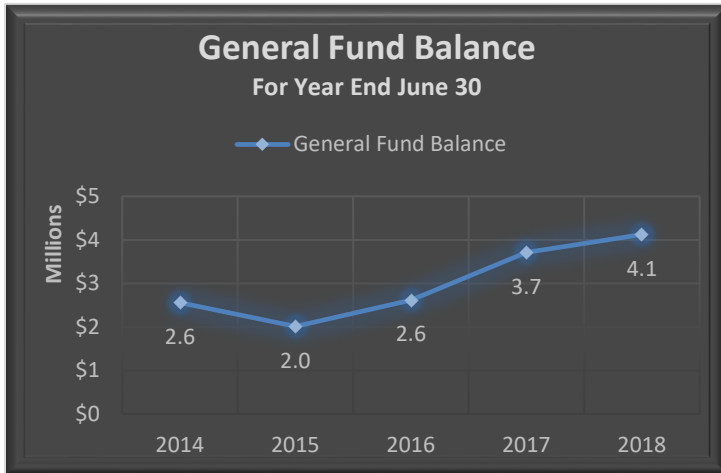
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

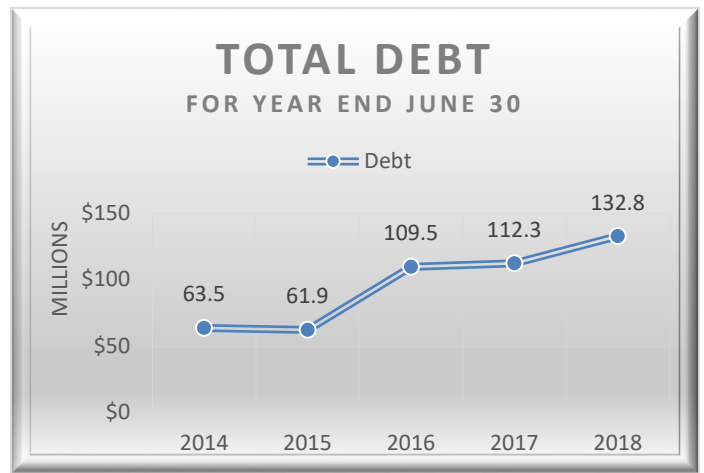
The Dallas School District provides excellence in education to inspire all students to learn, lead, achieve, and succeed.

Financial Information

The following pages contain financial information about the Dallas 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**.

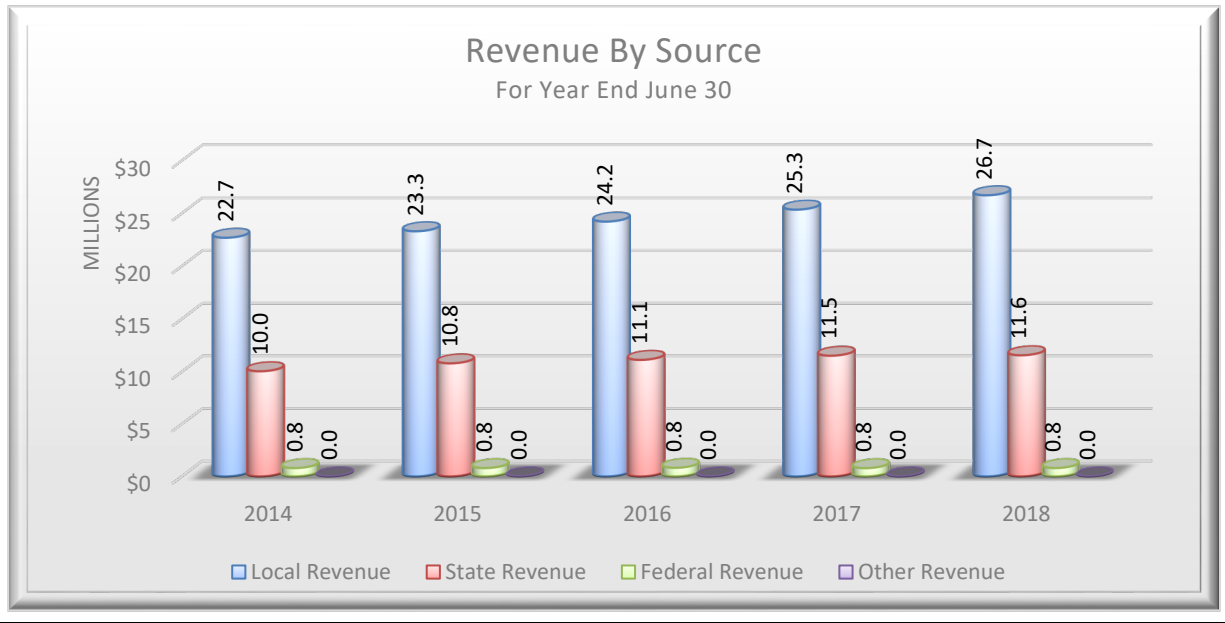
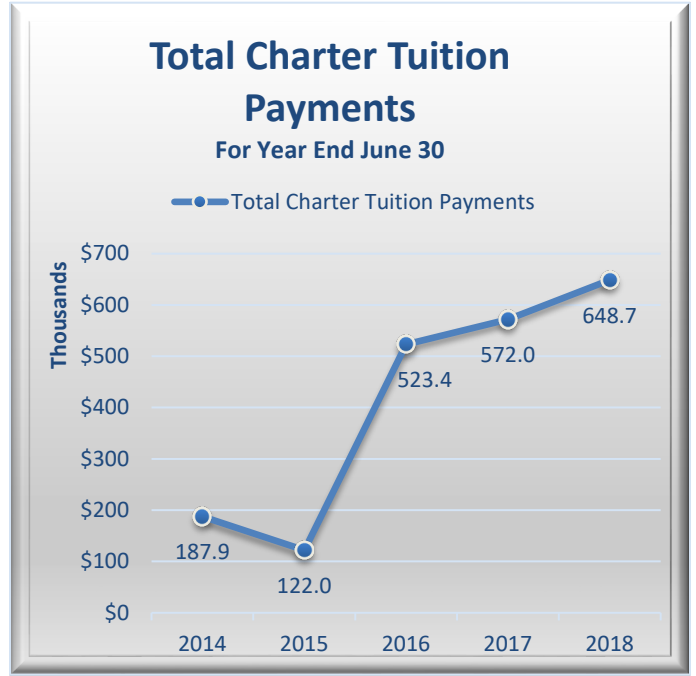
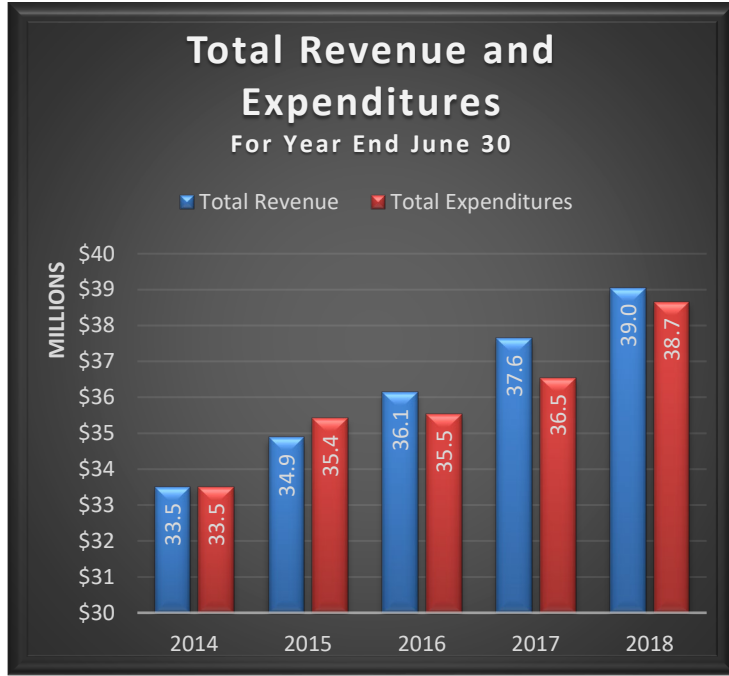


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

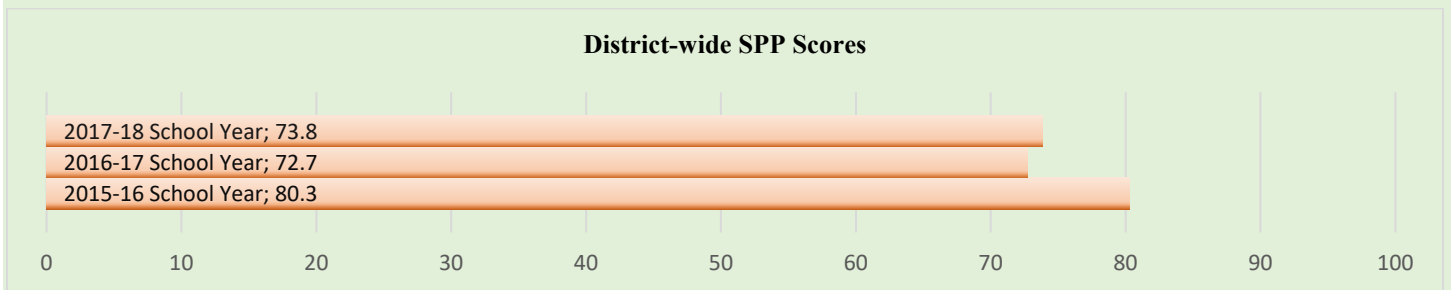


Academic Information

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.¹ 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. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²

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.³



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

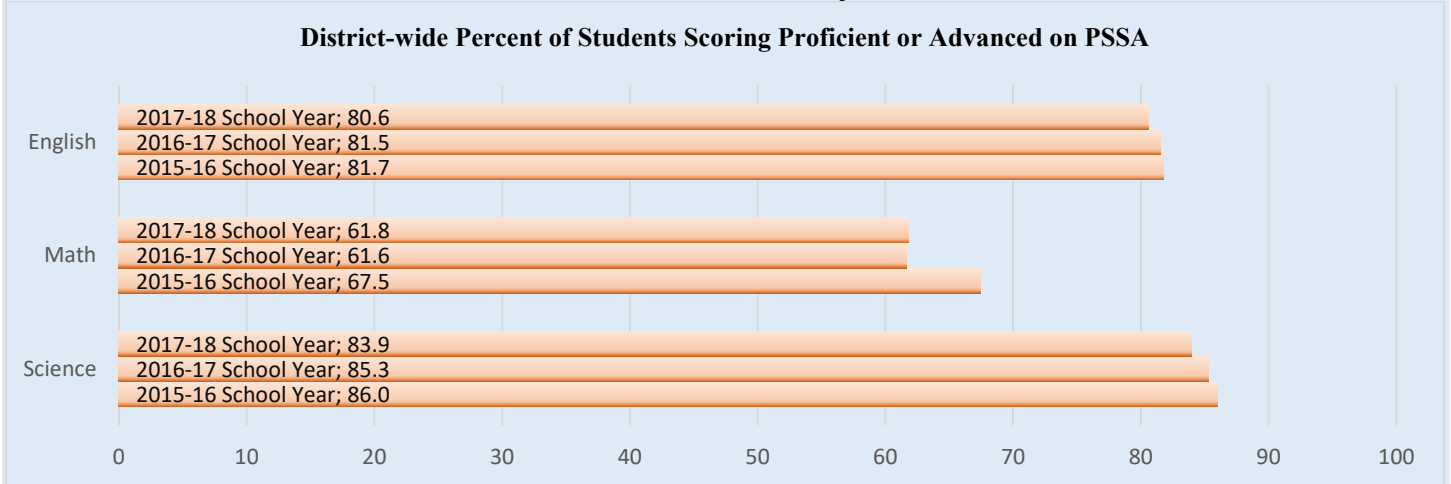
³ PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

Academic Information Continued

What is the PSSA?

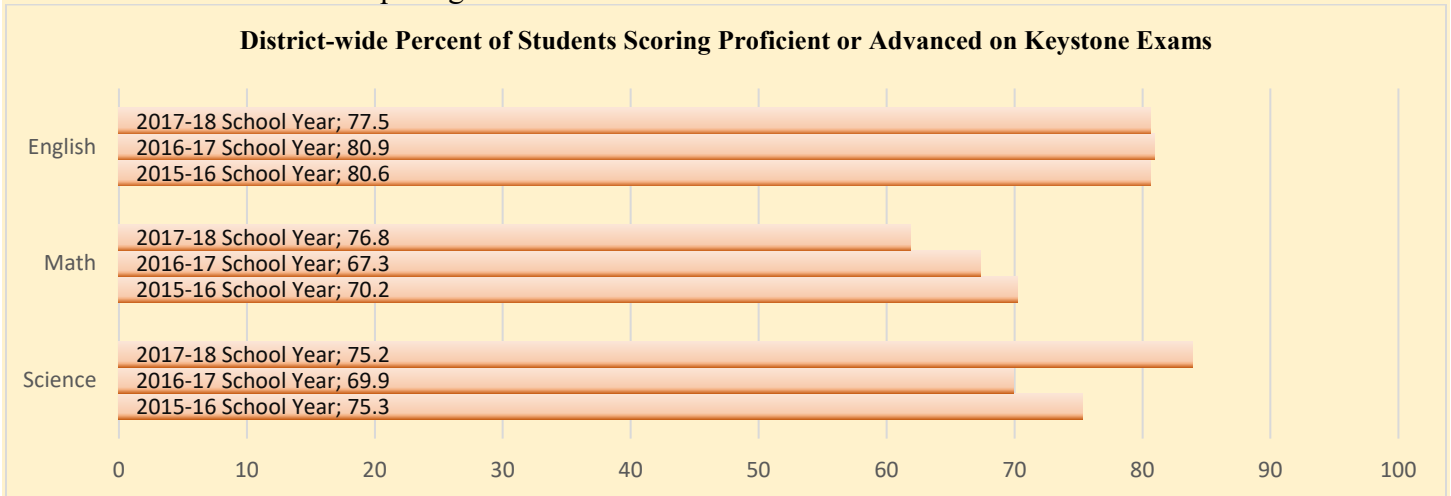
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.⁴ 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.

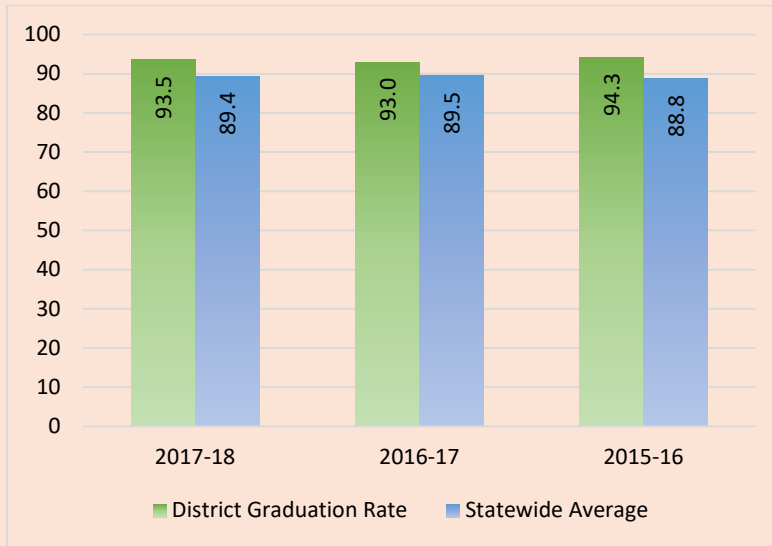


⁴ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1).

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.⁵



⁵ 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 Inaccurately Reported Nonresident Student Data Resulting in an Overpayment of \$55,148 and Lacked the Required Documentation to Verify Additional Nonresident Students

Criteria relevant to the finding:

Payment of Tuition

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

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

The Dallas School District (District) reported a total of 67 students to the Pennsylvania Department of Education (PDE) for reimbursements as nonresident foster students during the audit period. The District was reimbursed \$459,148 based on the reported information. We found that the District had adequate supporting documentation for only 10, or 15 percent, of the nonresident foster students reported to PDE. Of the other 57 nonresident foster students reported to PDE, we were able to determine that 7 were inaccurately reported and the District was overpaid \$55,148. The remaining 50 students reported to PDE lacked the required supporting documentation for us to conclude on the accuracy of the reported residency status. The District was reimbursed \$345,823 for these 50 students, and we could not confirm the accuracy of the reimbursements received.

School districts are entitled to receive Commonwealth-paid tuition for educating certain nonresident students. To be eligible to receive Commonwealth-paid tuition, the student’s parent/guardian must not be a resident of the educating district and the student must have been placed in the private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.⁶ Additionally, the district resident must be compensated for care of the student.

These students are commonly referred to as “foster students” and it is the mandate of the educating District to obtain the required documentation to correctly categorize and accurately report the number of foster students educated to PDE. As previously stated, the District inaccurately categorized and reported 7 students during the audit period and did not obtain the required documentation to support the categorization and reporting of 50 additional foster students.

The primary reason for the inaccurate reporting during the audit period was the District reporting foster students who were actually adopted by District residents. Once a student is adopted by a District resident, the student must be reported as a resident. A secondary reason for the errors was the District inaccurately reporting students as foster students when they were part-time District students who were the financial responsibility of other neighboring districts.

⁶ For example, the applicable county children and youth agency.

*Criteria relevant to the finding
(continued):*

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

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

There was an array of required documentation lacking for the 50 foster students reported to PDE during the audit period. For example, the District reported some of these students for reimbursement without the address information for the student’s parent or guardian. Other documentation that was missing included annually updated records that would confirm if the District’s resident foster parent was being compensated for care of the student and that each student continued to meet the requirements to be reported as a foster student.

After our review of the supporting documentation available, we concluded that the District reported a student as a foster student any time the student had contact with a county children and youth agency and did not thereafter revisit its classification of the student as a foster student. The failure to reconsider the categorization of foster students led to adopted students and students who were the financial responsibility of other districts to be reported inaccurately as foster students.

The District lacked internal controls over the categorization and reporting of foster student data. The District did not have policies and procedures to assist personnel in accurately identifying a foster student and the required documentation needed to support this categorization. The District relied on individual building secretaries at its four District schools to enroll students and categorize students enrolling at the District. It became evident to us during our review that these employees were not adequately trained on the documentation necessary to report foster students. Additionally, the District did not have an adequate review process when a student was enrolled as a foster student. A District employee other than the building secretary who was categorizing and enrolling nonresident foster students should have reviewed the documentation supporting this categorization prior to reporting to PDE. Finally, the District did not review its categorization of nonresident foster students when new information was obtained by the District.

We provided PDE with reports detailing the errors we identified and the students who were not eligible to be reported as foster students. PDE requires these reports to verify the overpayments to the District. The District’s future subsidy reimbursements should be adjusted by \$55,148.

Recommendations

The *Dallas School District* should:

1. Ensure that District personnel responsible for enrolling students and making residency determinations are properly trained on the classifications of nonresident students and the required documentation needed for nonresident foster students.

2. Ensure that District personnel other than the employee categorizing foster students reviews nonresident foster student determinations for accuracy.
3. Reconcile the number of foster students reported to PDE to individual supporting documentation and ensure that a review of this reconciliation is performed by someone other than the employee who prepared the reconciliation.
4. Develop policies and procedures pertaining to the accurate reporting of foster students.

The *Pennsylvania Department of Education* should:

5. Adjust the District's allocation to correct the overpayment of \$55,148.

Management Response

District management provided the following response:

“While the District acknowledges the inadequacies of the internal documentation of foster students and reporting seven students as foster students even though their status as foster students may have changed due to adoption or for other reasons, we are very proud of the educational programming, support, and related services that our faculty and staff provided for these students on our campus. The District will continue to serve foster children with an intentional, primary focus on providing education for students, supporting foster parents, and collaborating with placement agencies when circumstances bring these students to our district.

We recognize the need to also collect and maintain the appropriate documentation related to serving foster students and also the need to account for foster students whose status changes accurately (e.g. coding a “1305” student/foster as “1306” student/institutionalized.) The District embraces our need to increase accountability and training for all staff related to maintaining files and ensuing District personnel other than those categorizing foster students determine the accuracy and delineating who will govern the reconciliation process. Additional policies and procedures and intense training will be enacted to ensure that all staff understand the critical nature of reporting foster students accurately and maintaining internal controls and documentation related to those reports. Thank you for providing this valuable input.”

Auditor Conclusion

As stated in our finding, the District is required by the PSC to educate foster students and is eligible to be reimbursed for the related educational costs. The issues identified in this finding evidence that the District was

not doing its part to accurately categorize and report foster students and in turn was overpaid by the Commonwealth. We are encouraged that the District acknowledges its need to improve internal controls over this area and be accountable for the reimbursement received from the Commonwealth for educating foster students. We believe that implementing our recommendations will help the District accurately report this information to PDE. We will review the District's corrective actions implemented during our next audit of the District.

Finding No. 2

The District Inaccurately Reported Transportation Data Resulting in an Underpayment of \$16,804

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 was underpaid \$16,804 in regular transportation reimbursements from PDE. This underpayment was the result of the District failing to report students transported and eligible for reimbursement.

School districts receive two types of transportation reimbursements from PDE. One reimbursement is based upon the number of students transported and the number of miles vehicles were in service both with and without students (regular transportation reimbursement). The other reimbursement is based upon the number of charter school and nonpublic school students transported by the District (supplemental transportation reimbursement). The issues identified in this finding involves the District’s regular transportation reimbursement.

It is important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for the transportation subsidies. The District filed this sworn statement for each of the 2014-15 through 2018-19 payable years. It is essential that the District accurately report transportation data to PDE and retain the supporting documentation for this transportation data. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on the PDE’s reporting requirements. 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.⁷

Non-reimbursable students are defined as elementary students residing less than 1.5 miles from their school and secondary students residing less than 2 miles from their school. Districts can choose to transport these students, but if transported, the District must report these students as non-reimbursable to PDE. Districts that transport non-reimbursable students receive a reduced regular transportation reimbursement from PDE compared to if the students were reimbursable. Non-reimbursable students do not include special education students or students who reside on walking routes determine by the Pennsylvania Department of Transportation (PennDOT) to be hazardous.

⁷ 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 October 28, 2019).

Criteria relevant to the finding (continued):

Non-reimbursable Students

Non-reimbursable students are elementary students who reside within 1.5 miles of their elementary school and secondary students who reside within 2 miles of their secondary school. Non-reimbursable students do not include special education students or students who reside on routes determine by PennDOT to be hazardous. See 24 P.S. § 25-2541(b)(1).

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

The District reported non-reimbursable students for each year of the audit period; however, these students resided on PennDOT-determined hazardous walking routes and should have been reported by the District as eligible for reimbursement. Failing to accurately report these students resulted in the District not receiving over \$16,000 in Commonwealth reimbursements it was eligible to receive.

The table below illustrates the number of students inaccurately reported to PDE as non-reimbursable and the cumulative underpayment.

Dallas School District Non-reimbursable Transportation Errors		
School Year ⁸	Reimbursable Students Inaccurately Reported as Non-Reimbursable	Overpayment/ (Underpayment)
2014-15	100	(\$ 6,714)
2015-16	101	\$ 0
2016-17	65	\$ 0
2017-18	62	(\$ 4,635)
2018-19	64	(\$ 5,455)
Total	392	(\$16,804)

The District reported to PDE all elementary students who resided within 1.5 miles and all secondary students who resided within 2 miles of their respective schools as non-reimbursable. We found that the students cited in the table above were reimbursable due to residing on a PennDOT-determined hazardous walking route. Despite failing to accurately report 101 reimbursable students during the 2015-16 school year and an additional 65 reimbursable students during the 2016-17 school year, the District made an additional transportation reporting error that offset the monetary effect of the non-reimbursable reporting errors. Beginning with the 2015-16 school year, the District contracted with a vendor to transport its students during these years, but incorrectly reported total transportation costs to PDE as costs pertaining to transportation on District vehicles during the 2015-16 and 2016-17 school years. This error combined with the failure to accurately report all students eligible for reimbursement did not result in a monetary overpayment/underpayment.

The District did not maintain documentation of its hazardous walking routes as determined by PennDOT in 1975. Due to the time elapsed since the PennDOT determination and turnover within the District, the hazardous walking route documentation was lost, and current District personnel were unaware of its existence. After discussions with current District personnel, we encouraged the District to contact PennDOT and obtain this documentation.

⁸ The school year is the year that the District was reimbursed for its transportation expenditures incurred in the prior school year.

Criteria relevant to the finding
(continued):

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/eTransp%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed 1/6/20)

Amount Paid Contractor

Enter the total amount paid to this contractor for the service described for the vehicles listed under this Notification Number. This amount should include payment for any activity run service (some schools refer to this as a late run), but should not include payment for field trips, athletic events, extended school year or any service provided other than to-and-from school transportation.

We also found that the District lacked transportation reporting procedures and more specifically, transportation reporting procedures related to the reporting of non-reimbursable students. Additionally, the District did not have a process in place to review transportation data prior to submission to PDE.

We provided PDE with reports detailing the transportation reporting errors for the 2014-15 through 2018-19 school years. PDE requires these reports to verify the underpayments to the District. The District's future transportation reimbursements should be adjusted for the amount of the underpayment.

Recommendations

The *Dallas School District* should:

1. Develop internal control procedures over transportation reporting by implementing a secondary review of all data prior to submission to PDE. This secondary review of data should be performed by someone other than the District staff member compiling the data to help identify transportation data reporting errors.
2. Develop written transportation reporting procedures specifically addressing the accurate reporting of non-reimbursable student including the retention and accessibility of PennDOT hazardous walking route documentation.
3. Ensure that it maintains an accurate and updated list of students who are transported and reside on a hazardous walking route.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future transportation reimbursements to resolve the underpayment of \$16,804.

Management Response

District management provided the following response:

“District personnel reported non-reimbursable students consistent with the decades of prior reporting. After an exhaustive search of on-site district records for a PennDOT Hazardous Route Study, we were encouraged by the Department of the Auditor General to contact our local PennDOT office to inquire of hazardous road studies. To our surprise, a PennDOT Hazardous Route Study was conducted and the report was provided to us that was dated December 30, 1974. District personnel were not privy to this study, apparently for decades. This study has been made part of our permanent electronic records and the error will not be repeated again. All district facilities have been renovated or constructed over the last 20 years

and are located on one campus. The hazardous route study, from December 30, 1974, has determined, that all walkways surrounding the district campus (housing all students) are deemed hazardous. Therefore, non-reimbursable student reporting should be zero for the foreseeable future. We appreciate the feedback from the Auditor General that will result in greater reimbursement and will allow us to continuously improve in this area.”

Auditor Conclusion

We are encouraged that the District took corrective actions in order to locate and convert this documentation to part of the District’s permanent electronic records. We continue to recommend that the District develop internal controls over its transportation reporting and that these internal controls include a secondary review of data prior to reporting to PDE, as well as the development of written transportation reporting procedures. We believe that implementing our recommendations will help the District accurately report this information to PDE. We will review the District’s corrective actions implemented during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Dallas 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,⁹ 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 Dallas 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).¹⁰ 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.

⁹ 72 P.S. §§ 402 and 403.

¹⁰ 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:

- ❖ Nonresident Student Data
- ❖ Transportation Operations
- ❖ Financial Stability
- ❖ 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 accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹¹
 - ✓ To address this objective, we interviewed District personnel to get an understanding of the District's child accounting procedures regarding nonresident foster students. We reviewed all 67 nonresident foster students reported by the District to PDE during the 2014-15 through 2017-18 school years. We obtained documentation to verify that the custodial parent and or guardian was not a resident of the District and that the foster parent received a stipend for caring for the student. The student listings were compared to the total days reported on the Membership Summary and the Instructional Time and Membership Report to ensure the District received the correct reimbursement for these students. The results of our review of this objective can be found in 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?¹²
 - ✓ To address this objective, we interviewed District personnel to get an understanding of the District's procedures for obtaining and reporting transportation data to PDE. We randomly selected 7 of 35 vehicles used to transport District students during the 2016-17 school year.¹³ For each vehicle selected, we reviewed route documentation provided by the District's GPS tracking software and student rosters and compared this to the number of students transported and the

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

¹² See 25 P.S. §§ 25-2541 22 Pa. Code Chapter 11.

¹³ 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.

miles with and without students reported to PDE. We reviewed the number of days each vehicle traveled based on the District's school calendar.

- ✓ We also reviewed all students reported to PDE as non-reimbursable during the 2014-15 through 2018-19 payable school years.¹⁴ We obtained student rosters and determined if each student was correctly reported to PDE as non-reimbursable.

The results of our review of this objective can be found in Finding No. 2 on page 11 of this report.

- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
 - ✓ To address this objective, we reviewed the District's annual financial reports, General Fund budgets, and independent auditor's reports for the 2014-15 through 2017-18 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Our review of this objective did not disclose any reportable issues.
- Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code¹⁵ and Public School Employees' Retirement System guidelines?
 - ✓ To address this objective, we reviewed contracts, board meeting minutes, board policies, and payroll records for the one administrator who separated employment from the District during the period July 1, 2014 through August 27, 2019. Our review of this objective did not disclose any reportable issues.
- Did the District ensure that all bus drivers transporting District students are Board of School Directors (Board) approved and had the required driver's license, physical exam, training, background checks, and clearances¹⁶ as outlined in applicable laws?¹⁷ Also, did the District 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 assessed the District's internal controls over this objective area and ensured that all drivers were Board approved. We randomly selected 10 of the 50 drivers

¹⁴ The District reported 100 non-reimbursable students for the 2014-15 school year, 101 for the 2015-16 school year, 65 for the 2016-17 school year, 62 for the 2017-18 school year, and 64 for the 2018-19 school year.

¹⁵ 24 P.S. § 10-1073(e)(v).

¹⁶ 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.

¹⁷ 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.

transporting District students as of September 20, 2019, and reviewed documentation to determine if the District complied with the requirements for bus drivers' qualifications and clearances.¹⁸ We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physicals. Our review of this objective did not disclose any reportable issues.

- Did the District take actions to ensure it provided a safe school environment?¹⁹
 - ✓ To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and fire drill documentation. Due to the sensitive nature of school safety, the results of our review for this objective area are not described in our audit report. The results of our review of school safety are shared with District officials, PDE, and other appropriate agencies deemed necessary.

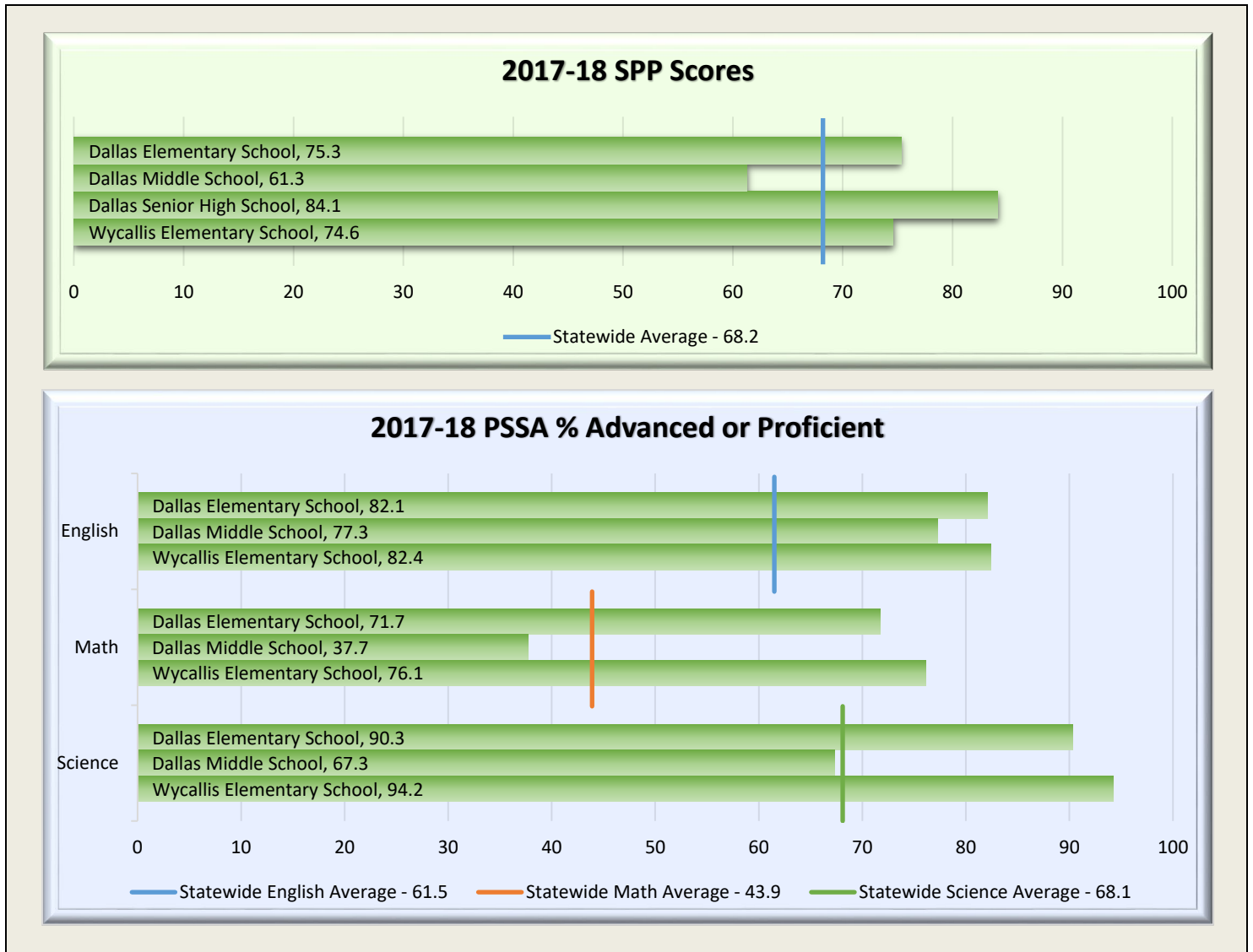
¹⁸ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective, accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁹ 24 P.S. § 13-1301-A *et seq.*

Appendix B: Academic Detail

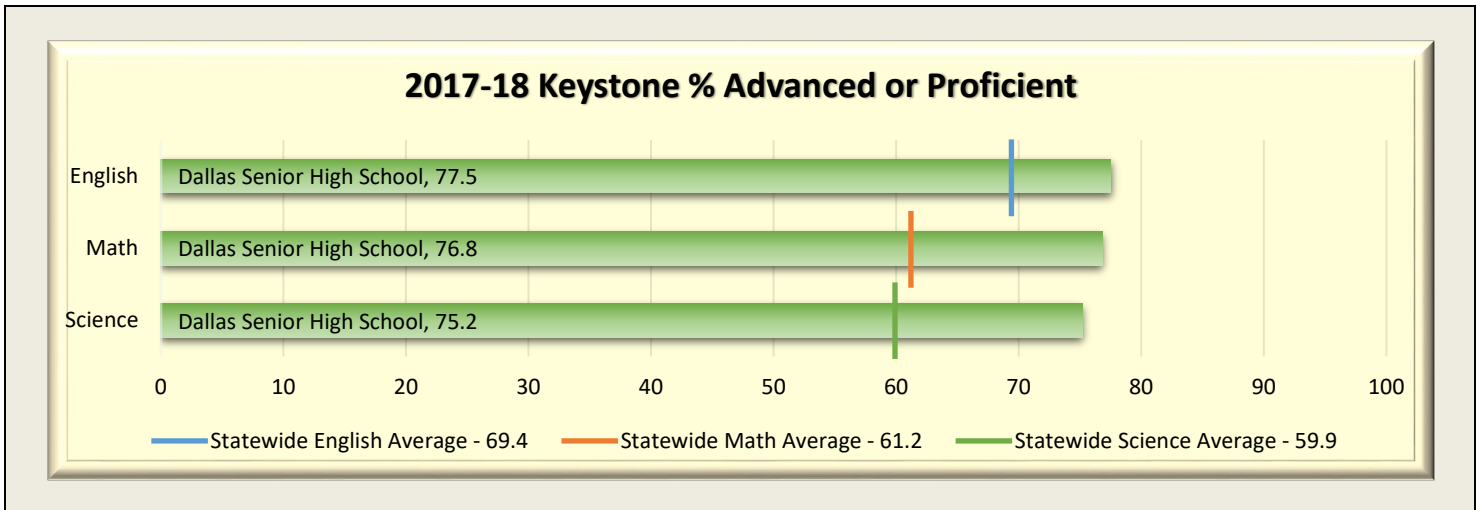
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.²⁰

2017-18 Academic Data School Scores Compared to Statewide Averages



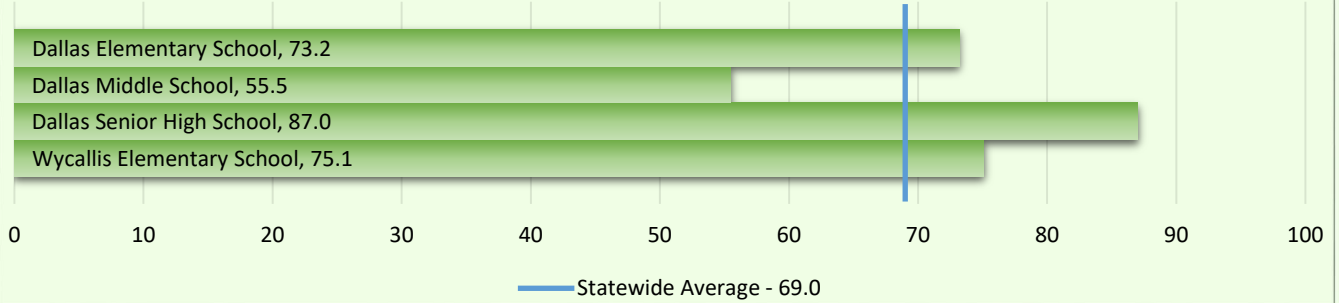
²⁰ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

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

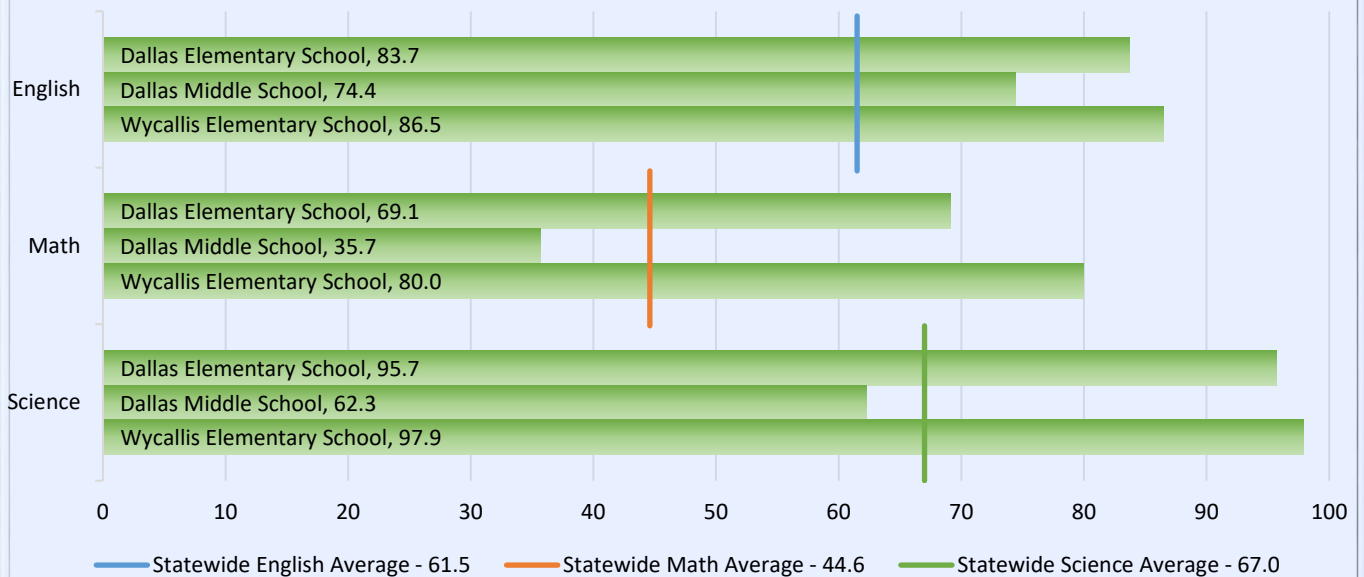


2016-17 Academic Data
School Scores Compared to Statewide Averages

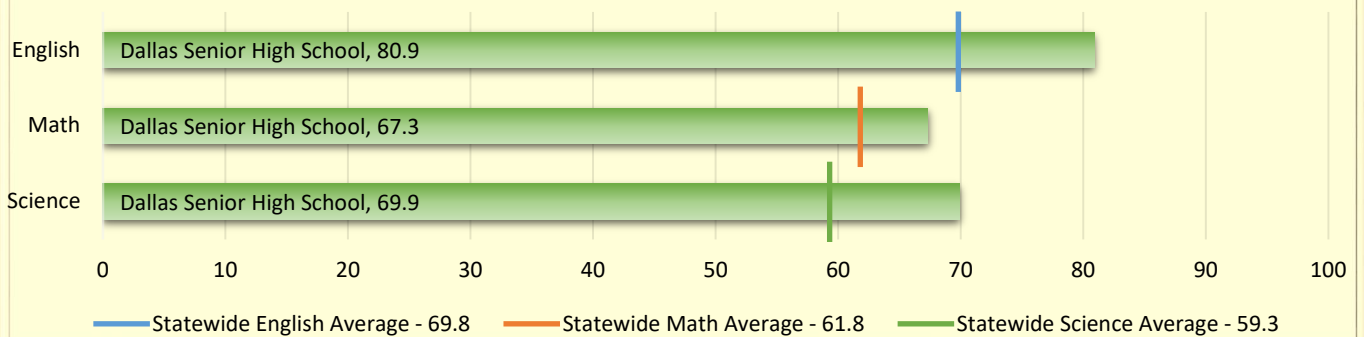
2016-17 SPP Scores



2016-17 PSSA % Advanced or Proficient

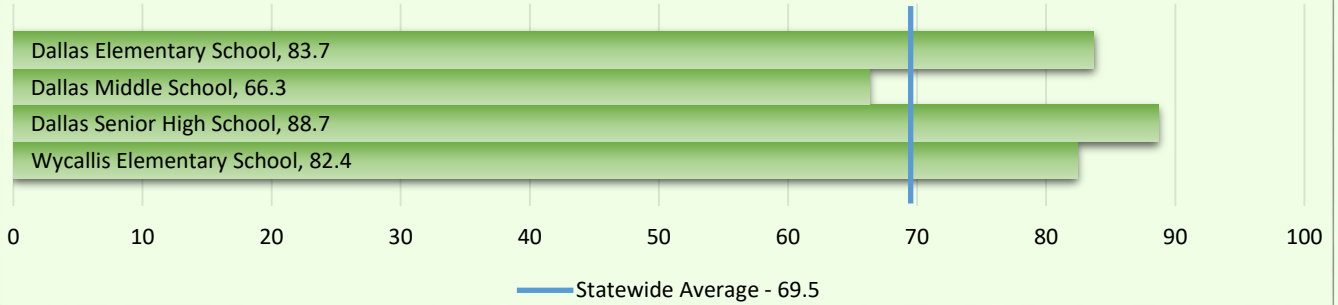


2016-17 Keystone % Advanced or Proficient

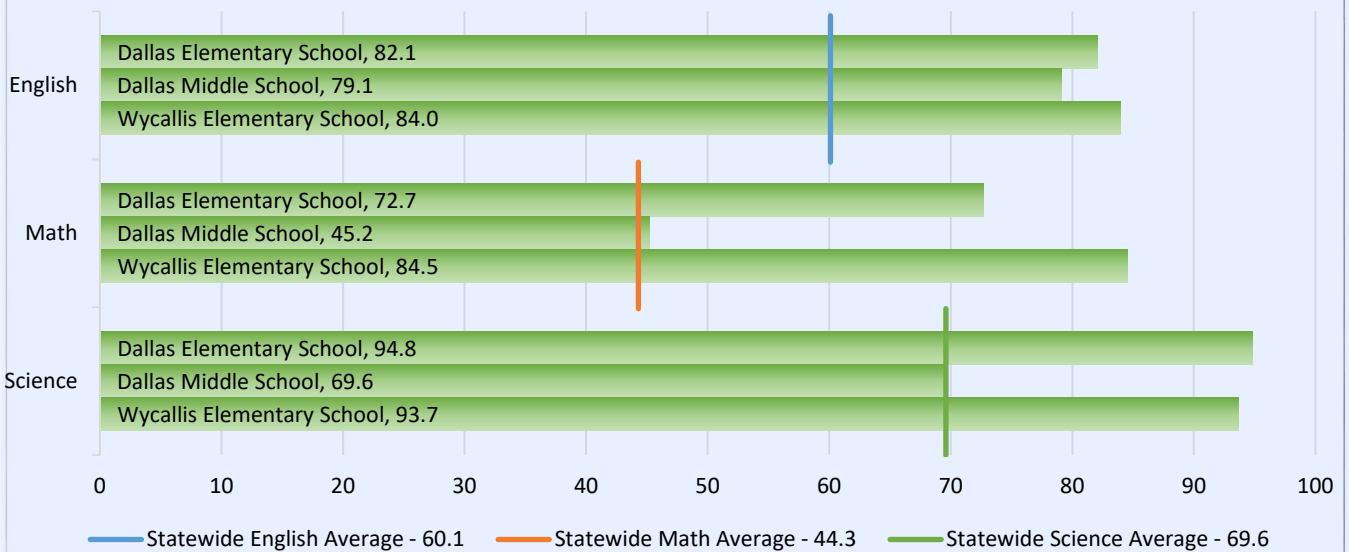


2015-16 Academic Data
School Scores Compared to Statewide Averages

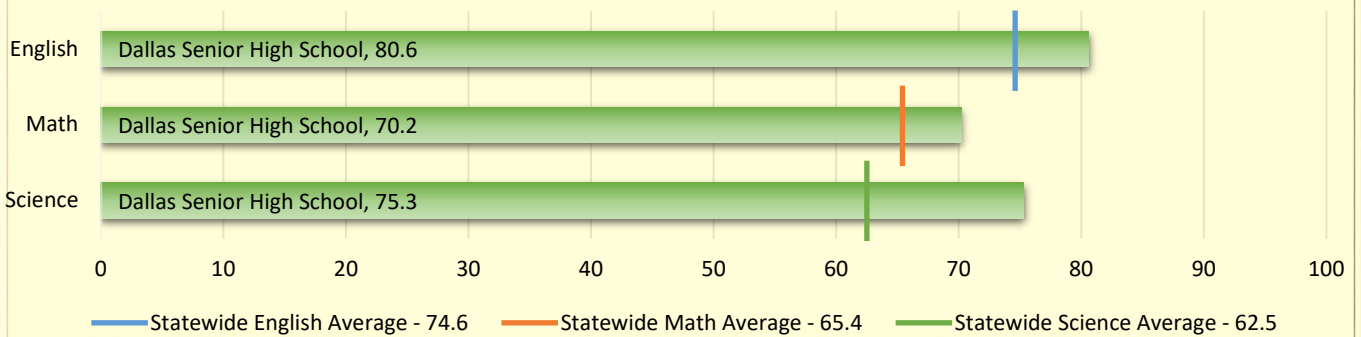
2015-16 SPP Scores



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:

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This report is a matter of public record and is available online at. 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.