

PERFORMANCE AUDIT

Galeton Area School District Potter County, Pennsylvania

June 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania
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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mrs. Alanna R. Huck, Superintendent
Galeton Area School District
27 Bridge Street
Galeton, Pennsylvania 16922

Mrs. Bonita Stover, Board President
Galeton Area School District
27 Bridge Street
Galeton, Pennsylvania 16922

Dear Mrs. Huck and Mrs. Stover:

We have conducted a performance audit of the Galeton Area School District (District) for the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Transportation Operations
- Financial Stability
- Administrator Separations
- Bus Driver Requirements

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.

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District performed adequately in the bulleted areas listed above, except as noted in the following finding:

- The District Inaccurately Reported Transportation Mileage Data to the PDE Resulting in a Net Underpayment to the District of \$9,396

Mrs. Alanna R. Huck
Mrs. Bonita Stover
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We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

June 25, 2019

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

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Background Information

School Characteristics 2016-17 School Year ^A	
County	Potter
Total Square Miles	325
Number of School Buildings	1
Total Teachers	38
Total Full or Part-Time Support Staff	15
Total Administrators	5
Total Enrollment for Most Recent School Year	333
Intermediate Unit Number	9
District Vo-Tech School	Seneca Highlands Career and Technical Center

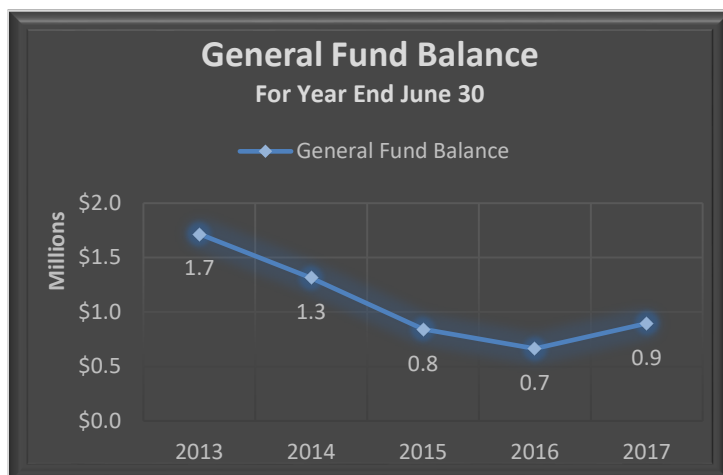
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

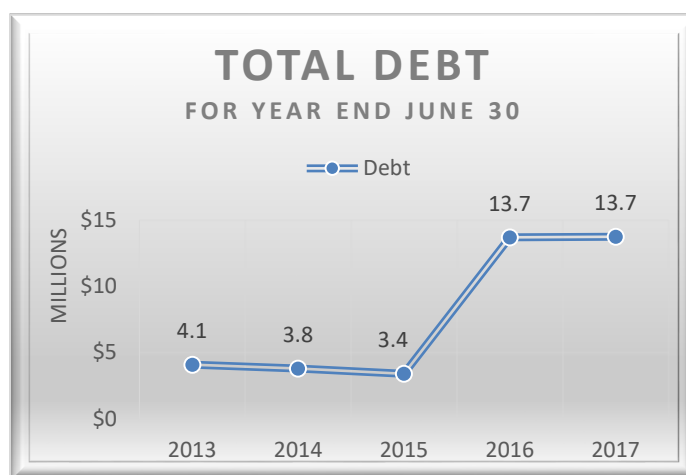
To inspire, educate and encourage students to reach their full academic and social potential.

Financial Information

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

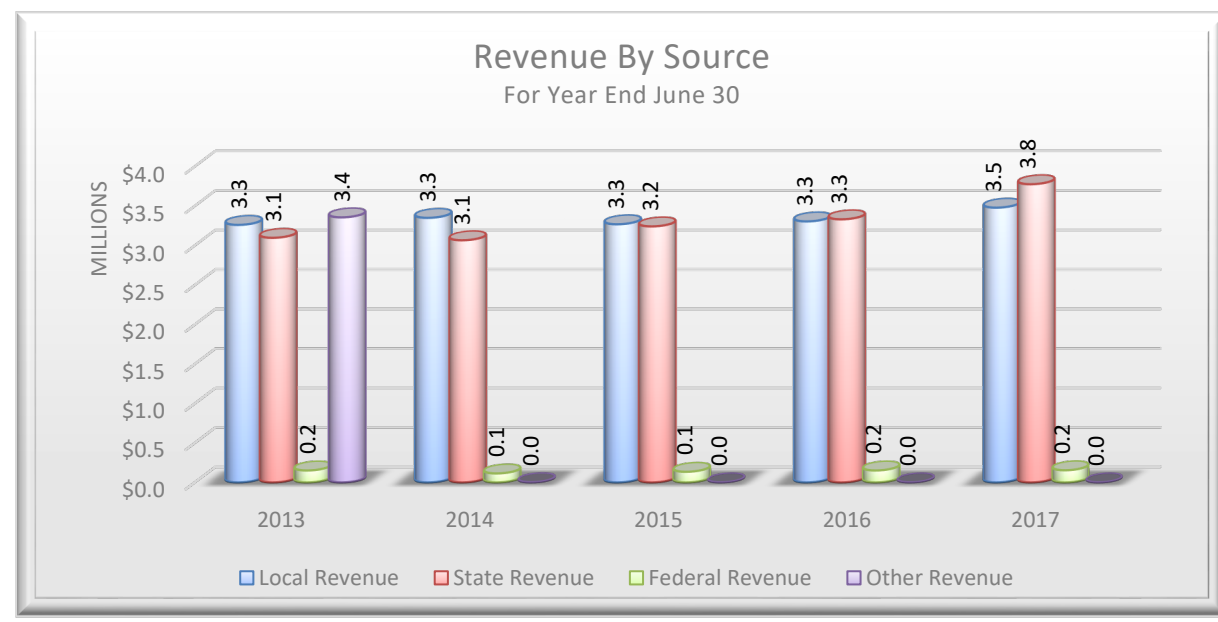
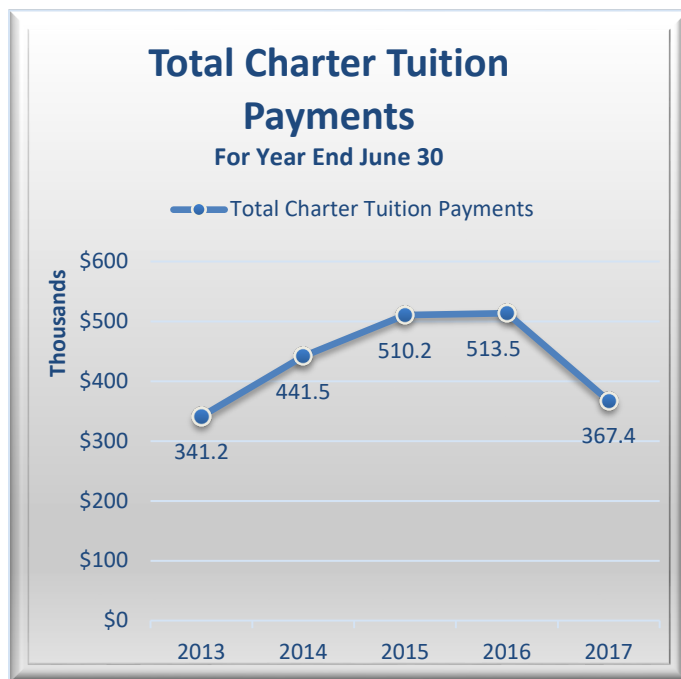
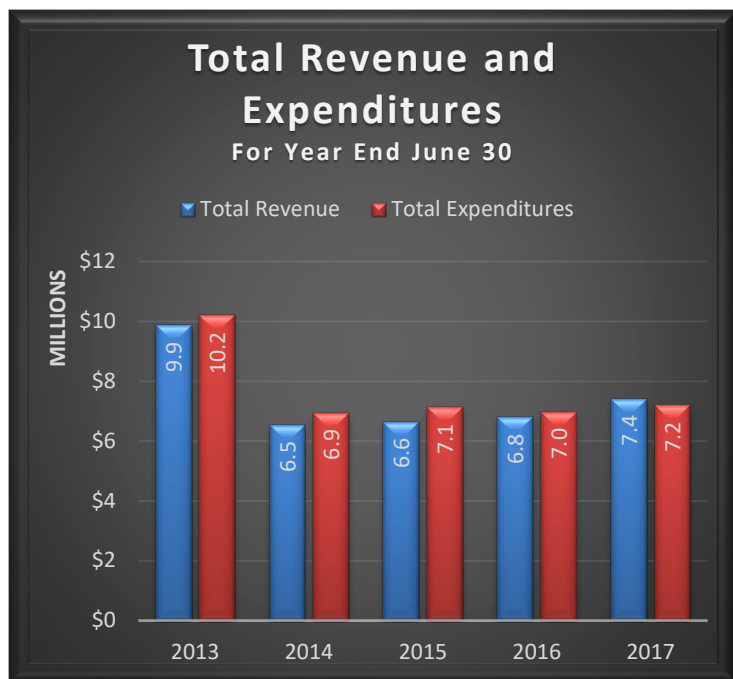


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from the PDE's data files for the 2014-15, 2015-16 and 2016-17 school years.¹ These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.² Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.³

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. The PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.

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

What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.⁵ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

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

² The PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to the PDE's website for general information regarding the issuance of academic scores.

³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

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

⁵ Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. See 24 P.S. § 1-121(b)(1).

What is the PSSA?

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

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁶ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

What is a 4-Year Cohort Graduation Rate?

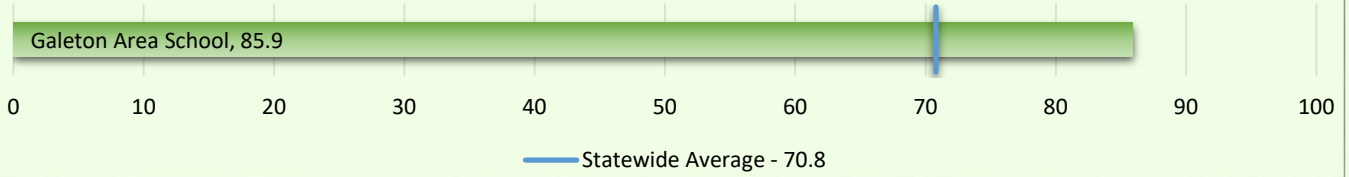
The PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.⁷

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

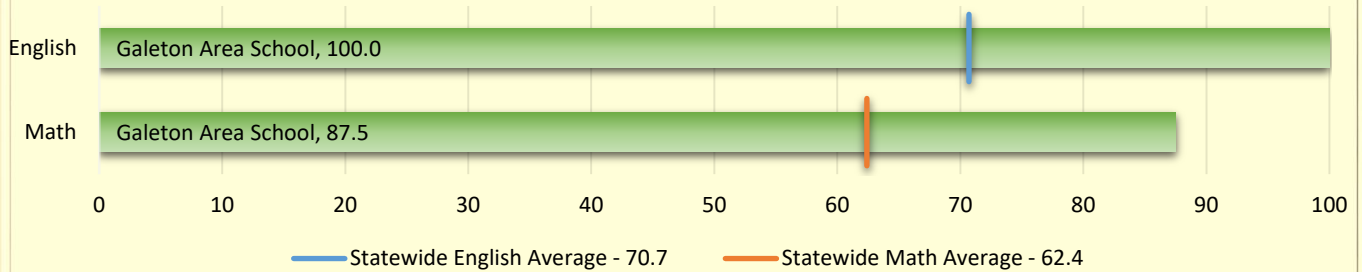
⁷ The PDE also calculates 5-year and 6-year cohort graduation rates. Please visit the PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

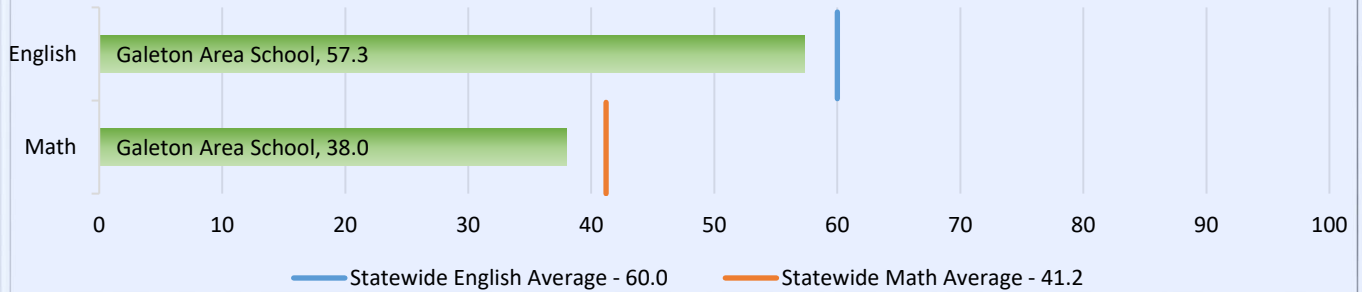
2014-15 SPP Scores



2014-15 Keystone % Advanced or Proficient

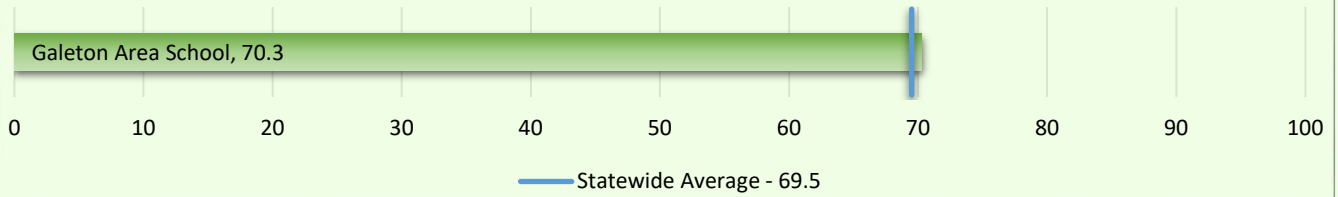


2014-15 PSSA % Advanced or Proficient

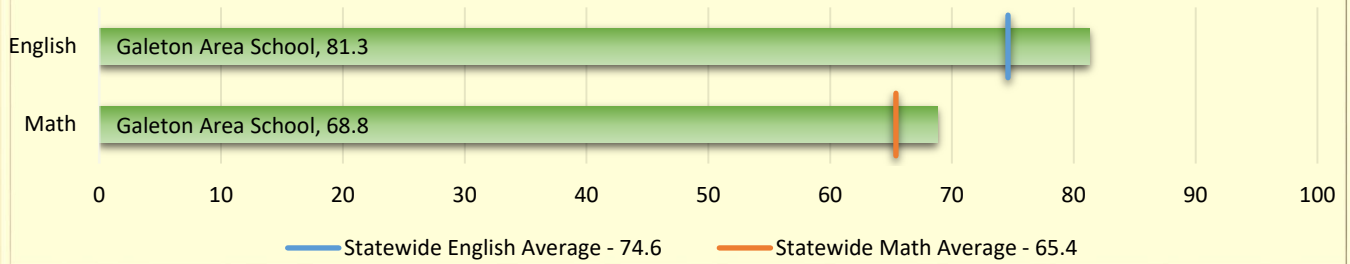


2015-16 Academic Data
School Scores Compared to Statewide Averages

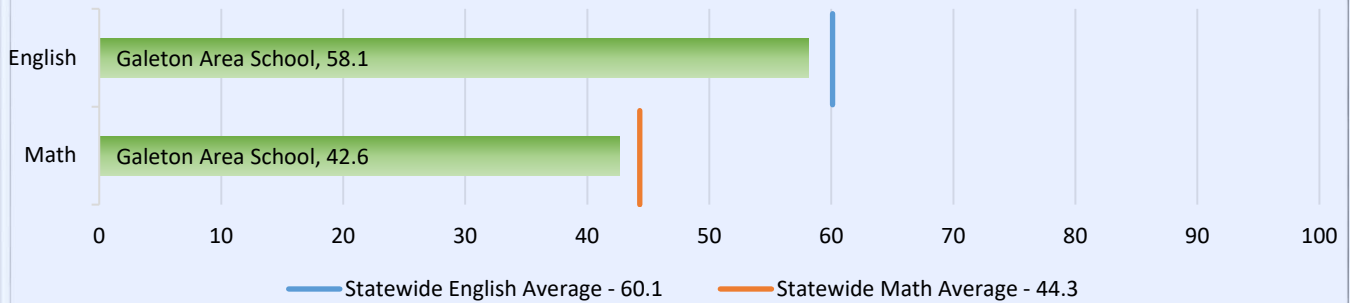
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient

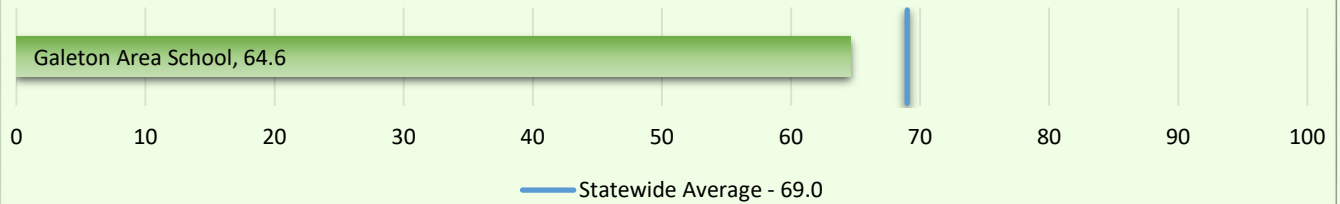


2015-16 PSSA % Advanced or Proficient

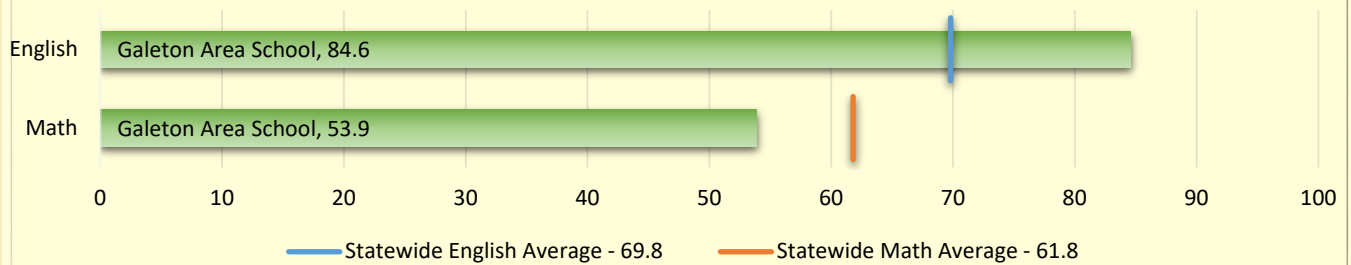


2016-17 Academic Data
School Scores Compared to Statewide Averages

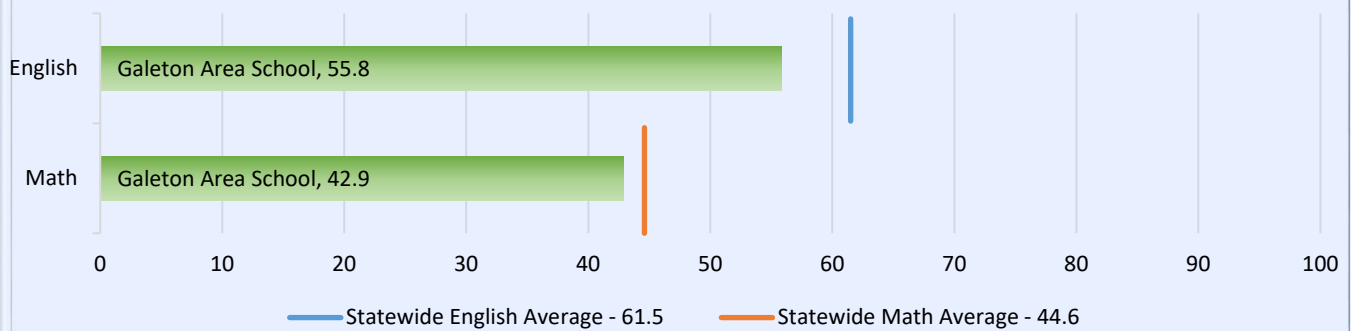
2016-17 SPP Scores



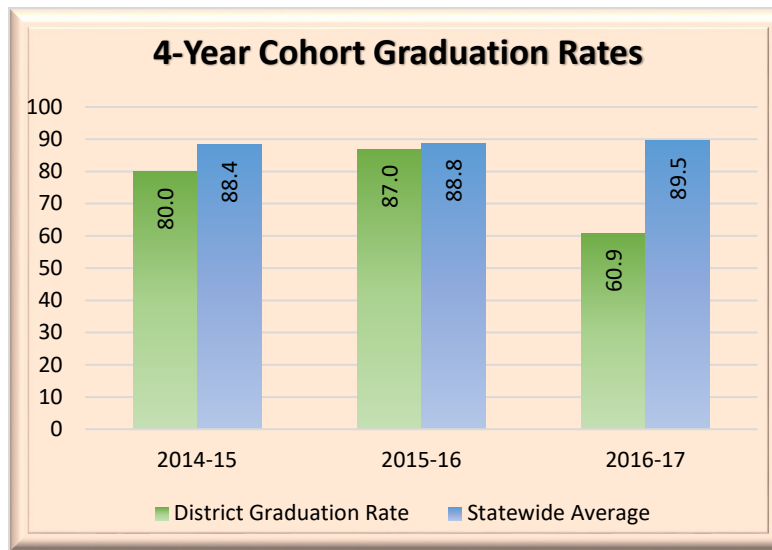
2016-17 Keystone % Advanced or Proficient



2016-17 PSSA % Advanced or Proficient



Graduation Data
District Graduation Rates Compared to Statewide Averages



Finding

The District Inaccurately Reported Transportation Mileage Data to the PDE Resulting in a Net Underpayment to the District of \$9,396

Criteria relevant to the finding:

Student Transportation Subsidy:

The Public School Code (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

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).

We found that the Galeton Area School District (District) was underpaid \$9,396 in regular transportation reimbursements from the Pennsylvania Department of Education (PDE). This net underpayment was due to the District inaccurately reporting the number of daily miles its students were transported during the 2013-14 through 2016-17 school years.

School districts annually receive two separate transportation reimbursement payments from the PDE. One reimbursement is based upon the number of students transported and the number of miles and days 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 affect the District’s regular transportation reimbursements received for the 2013-14, 2014-15, 2015-16, and 2016-17 school years.

It is also important to note that the Public School Code requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school year with the PDE in order to be eligible for the transportation subsidies. The Galeton Area School District filed this sworn statement for the school years discussed in this finding.

During the 2013-14 through 2016-17 school years, the District used at least 14 vehicles to transport District students during the 2014-15 school year and used 11 vehicles to transport students for the remaining three school years in the audit period. We found errors in the mileage reported to the PDE for a significant number of

Criteria relevant to the finding (continued):

Sworn Statement and Annual Filing Requirement

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

Section 2543 of the PSC, entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in pertinent part:

“Annually, each school district entitled to reimbursement on account of student transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to student 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.” *Id.*

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

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed 4/9/19)

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.

the vehicles as detailed in the table below.

Galeton Area School District Student Transportation Reporting Errors			
School Year	Number of Vehicles with Errors	Mileage Over/(Under) Reported	Total Over (Underpayment)
2013-14	7	(15)	(\$ 4,052)
2014-15	8	57.9	11,162
2015-16	5	(78.8)	(15,526)
2016-17	4	(3.8)	(980)
Total	24	(39.7)	(\$ 9,396)

The District official responsible for reporting transportation data to the PDE during the audit period began this role with the filing of transportation data for the 2013-14 school year. During the audit period, the District’s transportation contractors reported the daily miles for each individual vehicle to the District. However, the District inaccurately reported the daily miles to the PDE for each year of the audit period. For example, during the 2013-14 school year, the District’s contractor reported that one vehicle traveled 24.6 miles with students, but the District reported that this vehicle traveled 44.5 miles with students. During the same school year, the District’s contractor reported that a different vehicle traveled 58.6 miles with students, but the District reported that this vehicle traveled 44.4 miles with students.

The District official responsible for reporting this data could not explain the reasons that the contractor-reported daily miles were inaccurately reported to the PDE. It is very concerning that the District had the accurate daily miles reported by the contractor and yet made such significant, inexplicable errors when reporting the information to the PDE.

The District failed to have formal written procedures on how to record and report accurate transportation data to the PDE. The errors we identified in this finding and the discussions with the District official responsible for reporting this data to the PDE demonstrate that the District lacked a thorough understanding of how to accurately compile and report transportation data during the years we reviewed. The District also did not have someone other than the official who prepared the data to closely review the data prior to submitting it to the PDE. A review of this

nature, even if completed by someone unfamiliar with transportation reporting requirements, would have most likely identified that the District was inaccurately reporting daily miles for its vehicles.

Despite the errors made and the lack of a review process, the District's Superintendent signed the PSC required "sworn statement" certifying annually that the transportation data was accurate. Transportation reimbursement is a significant revenue source for the District and it is essential that District officials make reporting accurate transportation data to the PDE a priority so the District receives the correct amount of transportation reimbursement.

It is essential that the District accurately report transportation data to the PDE. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on the PDE's reporting requirements.

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

Recommendations

The *Galeton Area School District* should:

1. Establish written procedures that specifically address how transportation data is collected, reviewed, and reported to the PDE.
2. Properly train appropriate District officials to ensure that the PDE guidelines are followed in regard to calculating and reporting daily miles to the PDE.
3. Ensure that the sworn statement of student transportation data is not filed with the state Secretary of Education until the data has been properly double-checked for accuracy by someone other than the person compiling the data and who has been trained on the PDE's reporting requirements.

4. Perform a review of the 2017-18 transportation data submitted to the PDE to determine whether the data reported was accurate and, if needed, make any necessary revisions and resubmit the data.

The *Pennsylvania Department of Education* should:

5. Adjust the District's future transportation subsidies to resolve the net underpayment of \$9,396.

Management Response

Management stated the following;

“The management of the Galeton Area School District agrees with the finding presented in this audit regarding the inaccurate reporting of mileage data to PDE. We agree with the recommendations of the finding and will implement written procedures and protocols for use by the Superintendent and Business Manager to follow to resolve this situation.”

Auditor Conclusion

We are pleased that the District plans on implementing our recommendations. We believe that our recommendations will help the District accurately report transportation data to the PDE. We will review the District's corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Galeton Area School District resulted in no findings or observations.

Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,⁸ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

Overall, our audit covered the period July 1, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Galeton 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).⁹ 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.

⁸ 72 P.S. §§ 402 and 403.

⁹ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2013 through June 30, 2017. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- Transportation Operations
- 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 ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁰
 - To address this objective, we reviewed all vehicles used by two of the District's seven contractors¹¹ to transport District students during the 2013-14, 2014-15, 2015-16, and 2016-17 school years.¹² We identified these vehicles to be of higher risk because the District paid these contractors based on reimbursement from the PDE. Specifically, we reviewed odometer readings and vehicle rosters to verify the accuracy of miles with students, miles without students reported to the PDE, and the amount of transportation reimbursement received by the District. The finding on page 9 of this report contains the results of our review.
- ✓ 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?

¹⁰ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹¹ Because we selected the vehicles from the contractors that we considered to have a higher risk of non-compliance, the selection is not representative of the population of vehicles, and the results should not be projected to that population.

¹² We reviewed 7 vehicles in the 2013-14 school year, 8 vehicles in the 2014-15 school year, and 7 vehicles in the 2015-16 and 2016-17 school years.

- To address this objective, we reviewed the District’s annual financial reports, General Fund budgets, and independent auditor’s reports for the 2013-14 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 Code¹³ and Public School Employees’ Retirement System guidelines?
 - To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for one administrator who separated employment from the District during the period July 1, 2013 through August 13, 2018. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District ensure that bus drivers transporting District students had the required driver’s license, physical exam, training, background checks, and clearances¹⁴ as outlined in applicable laws?¹⁵ Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected 5 of the 11 bus drivers transporting District students as of November 19, 2018.¹⁶ We verified the District had all necessary documentation on file for each driver selected. We also determined the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

¹³ 24 P.S. § 10-1073(e)(v).

¹⁴ Auditors reviewed the required state, federal and child abuse background clearances from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

¹⁵ 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*.

¹⁶ 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.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁷
- To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted an on-site review at the District's only school building to assess whether the District had implemented basic safety practices.¹⁸ Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials, the PDE, and other appropriate agencies deemed necessary.

¹⁷ 24 P.S. § 13-1301-A *et seq.*

¹⁸ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Nathan Mains

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

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