

# PERFORMANCE AUDIT

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## Hamburg Area School District Berks County, Pennsylvania

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February 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Richard J. Mextorf, Superintendent  
Hamburg Area School District  
701 Windsor Street  
Hamburg, Pennsylvania 19526

Mr. Brian R. Specht, Board President  
Hamburg Area School District  
701 Windsor Street  
Hamburg, Pennsylvania 19526

Dear Dr. Mextorf and Mr. Specht:

We have conducted a performance audit of the Hamburg Area School District (District) for the period July 1, 2012, through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Contracting
- Administrator Contract Buyout
- Bus Driver Requirements
- School Safety

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

Our audit found that the District performed adequately in the areas listed above.

We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

January 26, 2018

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

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## Background Information

School Characteristics 2015-16 School Year <sup>A</sup>	
County	Berks
<b>Total Square Miles</b>	103
<b>Resident Population<sup>B</sup></b>	16,715
<b>Number of School Buildings</b>	4
<b>Total Teachers</b>	173
<b>Total Full or Part-Time Support Staff</b>	121
<b>Total Administrators</b>	16
<b>Total Enrollment for Most Recent School Year</b>	2,273
<b>Intermediate Unit Number</b>	14
<b>District Vo-Tech School</b>	Berks County Career and Technology Center

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

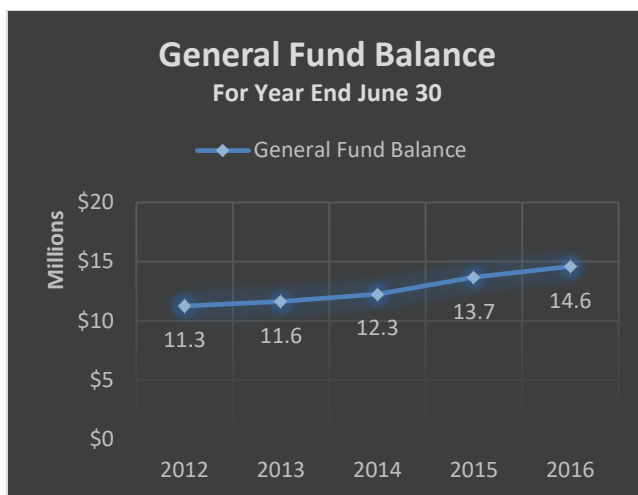
B - Source: United States Census  
<http://www.census.gov/2010census>.

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

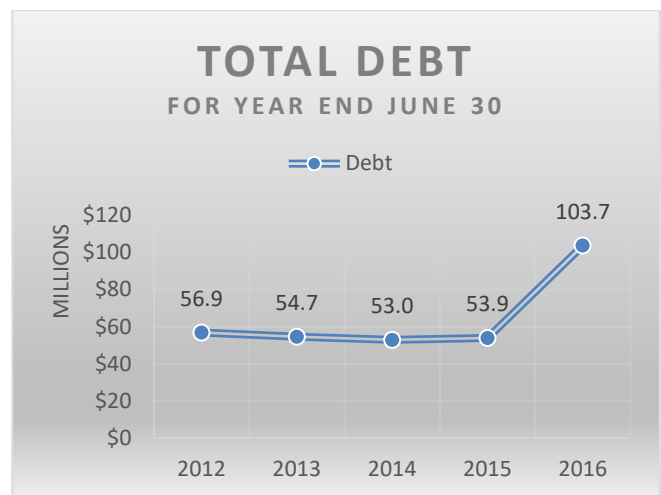
Preparing learners to live lives of significance and meaning.

## Financial Information

The following pages contain financial information about the Hamburg 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.

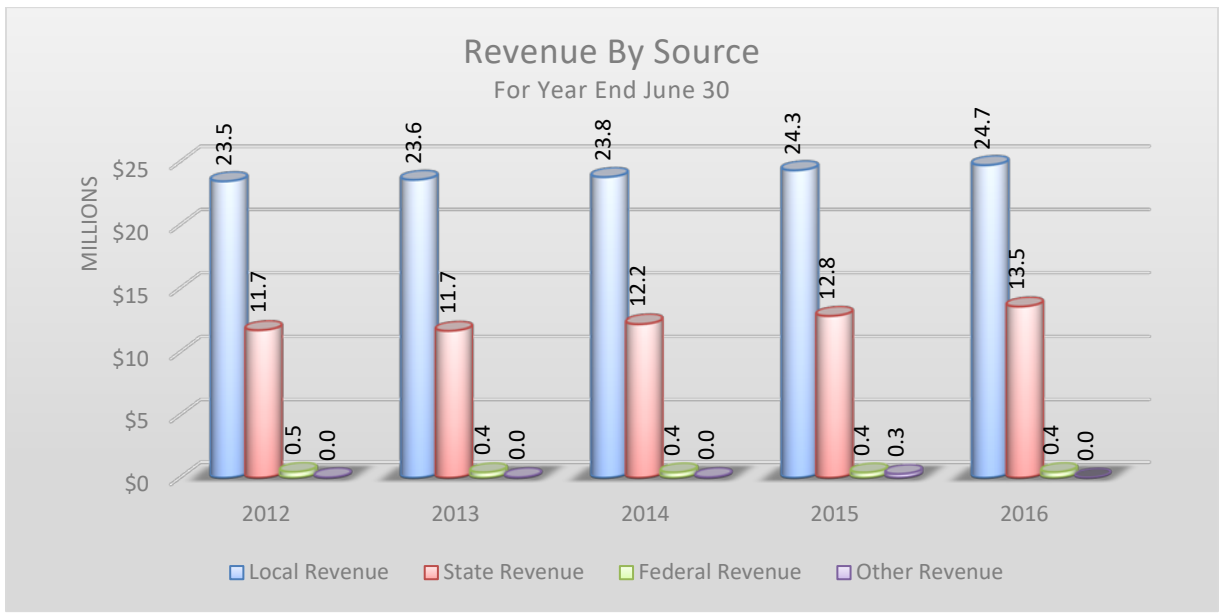
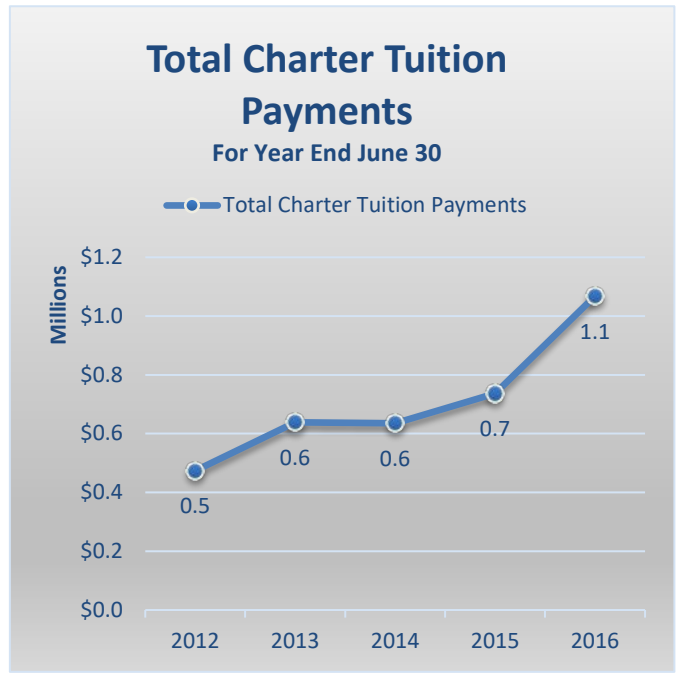
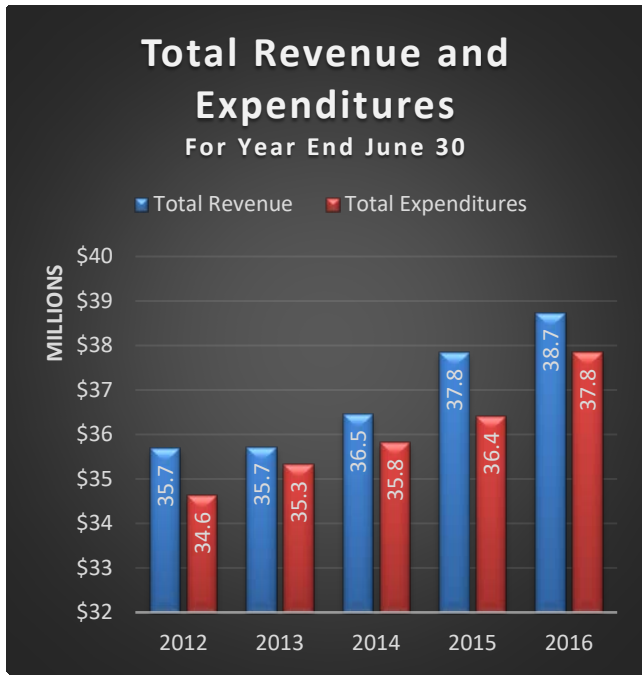


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

## Financial Information Continued



## Academic Information

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

### **What is a SPP score?**

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

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

### **What is the PSSA?**

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

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

<sup>2</sup> 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.

<sup>3</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>4</sup> According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of PSSA exams to align with state Common Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.<sup>5</sup> The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

### **What is the Keystone Exam?**

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

### **What is a 4-Year Cohort Graduation Rate?**

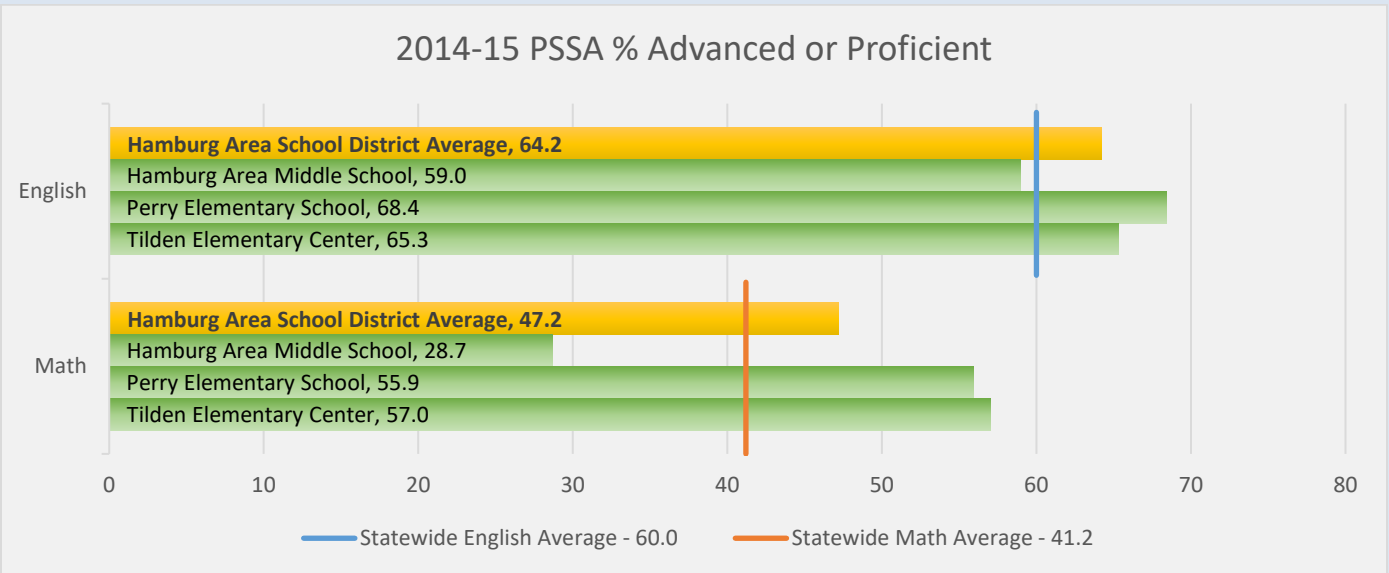
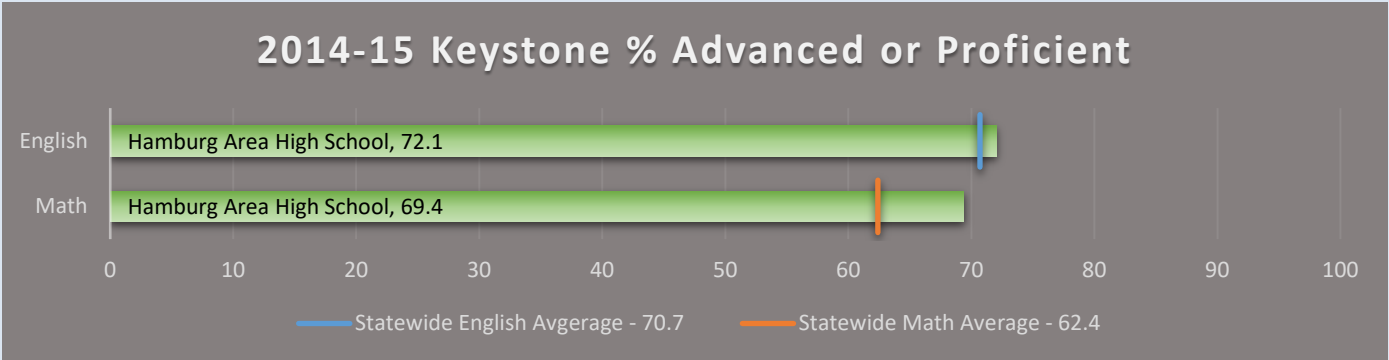
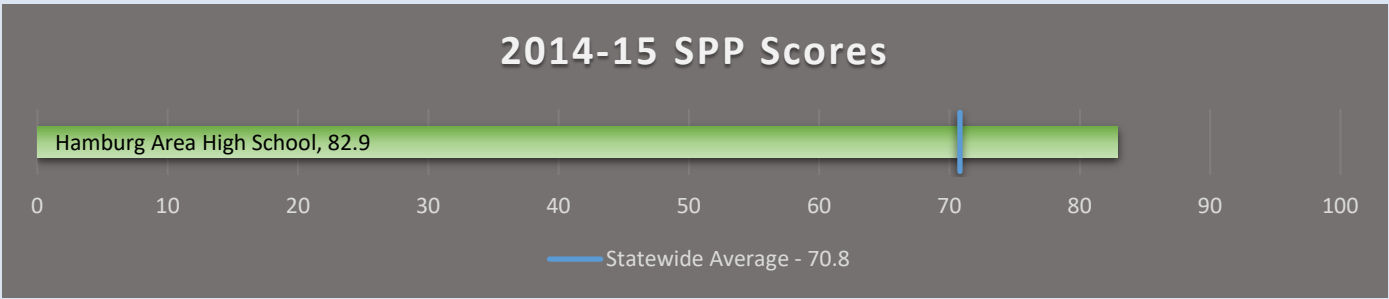
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.<sup>6</sup>

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<sup>5</sup> PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam. (Also, see footnote 4).

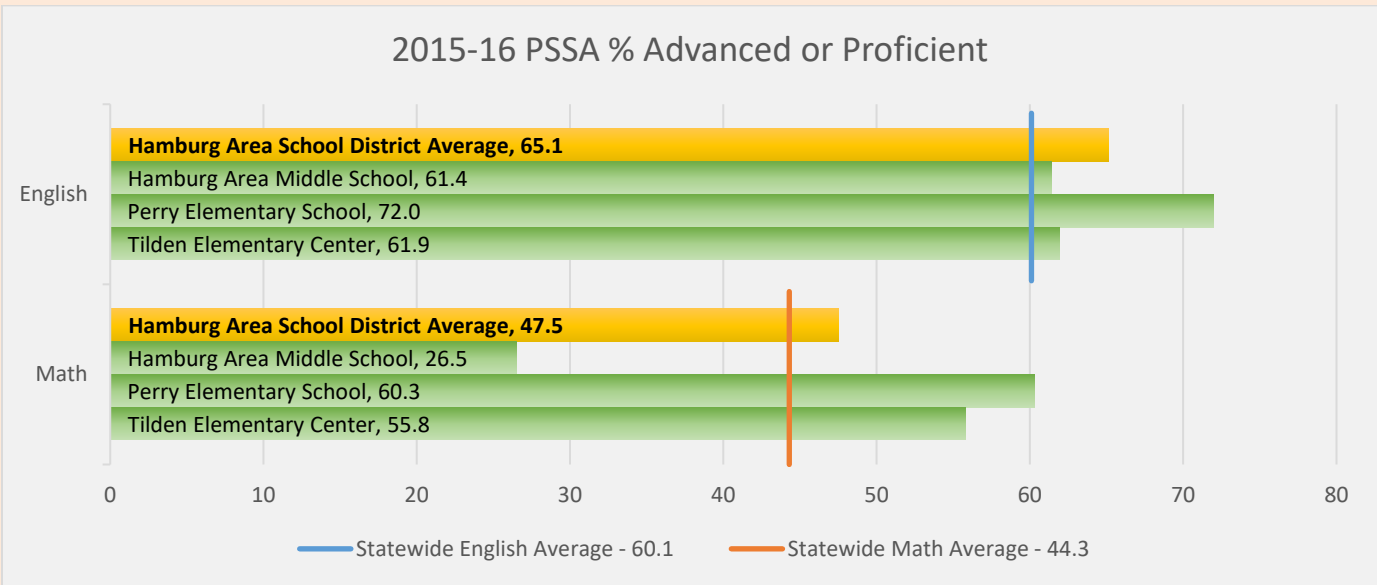
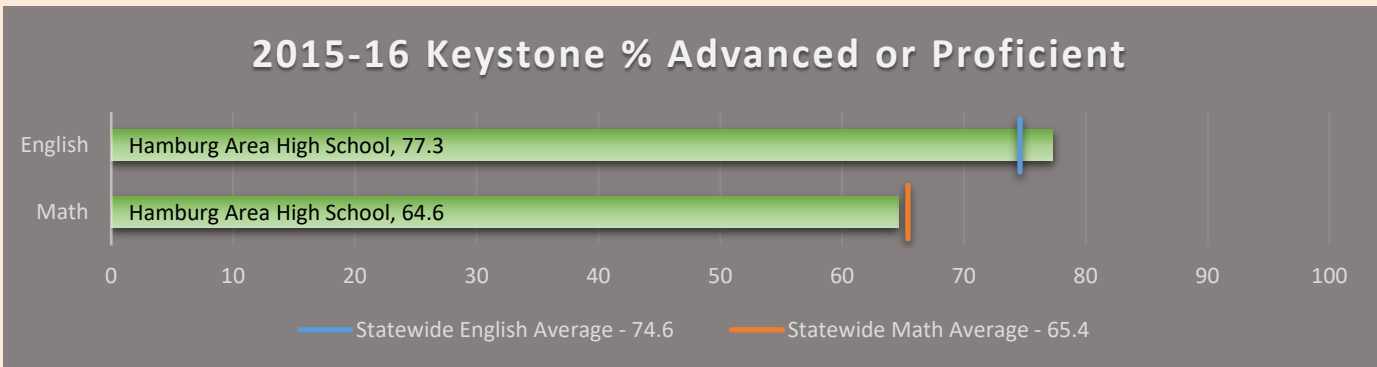
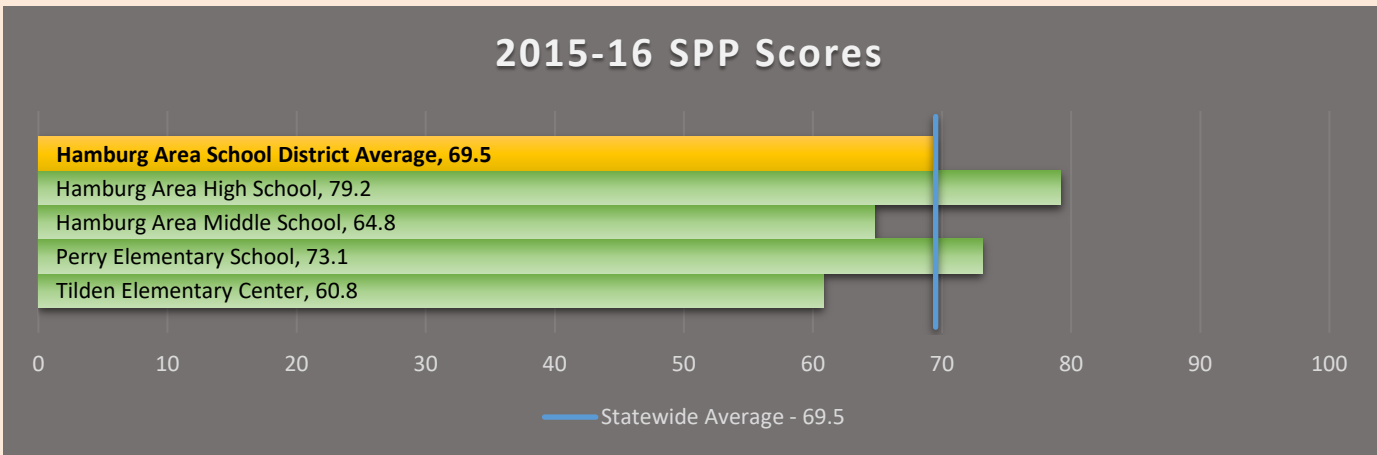
<sup>6</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

**2014-15 Academic Data**  
**School Scores Compared to Statewide Averages**

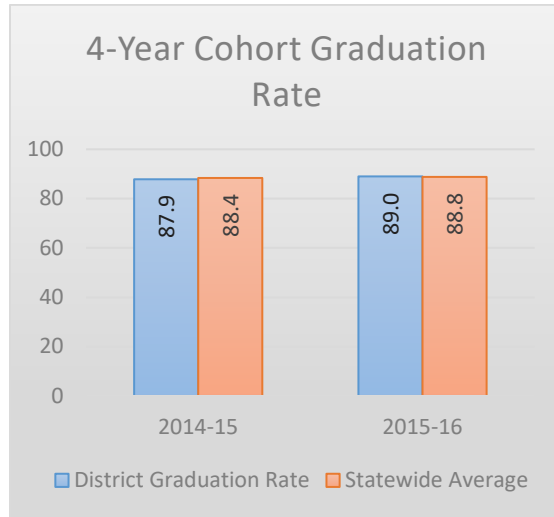




**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**



### 4-Year Cohort Graduation Rate



## **Finding(s)**

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**F**or the audited period, our audit of the Hamburg Area School District resulted in no findings.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Hamburg Area School District (District) released on June 24, 2014, resulted in one finding and one observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We interviewed District personnel and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on June 24, 2014

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**Prior Finding:**                      **Possible Inaccurate Reporting of Retirement Wages (Resolved)**

Prior Finding Summary: During our prior audit of the District, we found that the District erroneously reported payout of unused vacation and personal leave as retirement wages to the Public School Employees' Retirement System (PSERS) for the 2012-13 school year for three administrative employees. Ineligible payments reported to PSERS for the three administrators during the 2012-13 school year totaled \$17,356.

Prior Recommendations: We recommended that the District should:

1. Contingent upon PSERS final determination, report to PSERS only those wages allowable for retirement purposes, as stated in the Pennsylvania Public School Employees' Retirement Board Regulations and PSERS Employer's Reference Manual.
2. Implement procedures for reviewing all salary and contribution reports, in order to ensure that only eligible wages are being reported to PSERS for retirement contributions.
3. Ensure the Board of School Directors only approve resignation requests with clear resignation dates that are consistent with any subsequent employment

We also recommended that PDE should:

4. Review the propriety of the wages for the above employees and make any necessary adjustments.

Current Status: During our review, we determined the District followed recommendations from our prior finding. The District's former Superintendent retired effective June 30, 2015, and was paid \$22,128.27 for unused sick and vacation days. PSERS contributions were not withheld from this payout. Our review of board meeting minutes from October 14, 2013, through June 19, 2017, found that

approved resignations/retirements had clear resignations dates. Finally, PSERS made necessary salary adjustments to all three administrators in question and cited in the previous audit.

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**Prior Observation:**            **The District Financed Some of its Debt with Interest Rate Management (“Swap”) Agreements, Which Resulted in a Net Loss of \$2.05 Million, Plus a Termination Fee of \$2.3 Million (Resolved)**

Prior Observation Summary:

During our prior audit of the District, we found that on May 15, 2005, the District entered into a SWAP Agreement related to its issuance of \$25,000,000 of general obligation bonds. The SWAP yielded a net loss of \$2,054,689. The District terminated the SWAP effective March 30, 2011, incurring an additional fee of \$2,386,000.

Prior Recommendations: We recommended that the District should:

Consider all the risks, including potential termination fees, when entering into any new SWAP agreements in the future.

Current Status:            During our audit, we determined the District did not enter into any new SWAP agreements since completion of our prior audit.

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## **Appendix: Audit Scope, Objectives, and Methodology**

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School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, 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>7</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### **Scope**

Overall, our audit covered the period July 1, 2012, through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Hamburg Area School District's (District) management is responsible for establishing and maintaining effective internal controls<sup>8</sup> to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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<sup>7</sup> 72 P.S. §§402 and 403.

<sup>8</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2012, through June 30, 2016. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

- Contracting
- Administrator Contract Buyout
- 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 that its significant contracts were current and were properly obtained, approved, executed, and monitored?
  - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of vendors who provided goods and services to the District during the 2015-16 school year that exceeded \$20,000. We selected 3 out of 87 vendors on this list for detailed testing based on the types of services provided.<sup>9</sup> Testing included a review of the procurement documents to determine if the contract was procured in accordance with the Public School Code and District policies. We also reviewed documents and interviewed District personnel to determine if the District monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board of School Directors' Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issue.<sup>10</sup>

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<sup>9</sup> We selected the District's transportation, snow removal, and maintenance contracts.

<sup>10</sup> The selection of vendors was not a representative selection from a larger population because we used judgment in selecting vendors based on the specific service each vendor provides (transportation, general maintenance, and snow removal). Therefore, the results of our testing should not be projected to a larger population.

- ✓ 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 Code<sup>11</sup> and the Public School Employees' Retirement System guidelines?
  - To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for the one administrator who separated employment from the District during the period November 4, 2013, through August 21, 2017. Our review of this objective did not disclose any reportable issue.
  
- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined in applicable laws?<sup>12</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - To address this objective, we selected the five most recently hired bus drivers employed by the District's bus contractors during the 2016-17 school year and reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issue.<sup>13</sup>
  
- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>14</sup>
  - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District had implemented basic safety practices.<sup>15</sup> 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 and, if deemed necessary, PDE.

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<sup>11</sup> 24 P.S. § 10-1073(e)(2)(v).

<sup>12</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>13</sup> The selection of bus drivers was not a representative selection from a larger population because only the drivers most recently hired were selected. Therefore, the results of our testing should not be projected to a larger population.

<sup>14</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>15</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.



## **Distribution List**

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

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

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333 Market Street  
Harrisburg, PA 17126

**The Honorable Joe Torsella**

State Treasurer  
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Harrisburg, PA 17120

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Executive Director  
Pennsylvania School Boards Association  
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Mechanicsburg, PA 17050

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