

# PERFORMANCE AUDIT

---

## Lakeview School District Mercer County, Pennsylvania

---

October 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Hendley D. Hoge, Superintendent  
Lakeview School District  
2482 Mercer Street  
Stoneboro, Pennsylvania 16153

Mr. Scott J. Lewis, Board President  
Lakeview School District  
2482 Mercer Street  
Stoneboro, Pennsylvania 16153

Dear Dr. Hoge and Mr. Lewis:

We have conducted a performance audit of the Lakeview School District (District) for the period July 1, 2014 through June 30, 2018, 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:

- Nonresident Student Data
- Bus Driver Requirements
- Administrator Separations

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 Failed to Retain Required Documentation to Support the Over \$42,000 Received in Commonwealth-paid Tuition for Educating Nonresident Students

Dr. Hendley D. Hoge  
Mr. Scott J. Lewis  
Page 2

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

October 1, 2019

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

## Table of Contents

---

	Page
Background Information .....	1
Finding .....	9
Finding – The District Failed to Retain Required Documentation to Support the Over \$42,000 Received in Commonwealth-paid Tuition for Educating Nonresident Students .....	9
Status of Prior Audit Findings and Observations .....	12
Appendix: Audit Scope, Objectives, and Methodology .....	13
Distribution List .....	16

## Background Information

School Characteristics 2017-18 School Year <sup>A</sup>	
County	Mercer
Total Square Miles	146
Number of School Buildings	2 <sup>1</sup>
Total Teachers	94
Total Full or Part-Time Support Staff	20
Total Administrators	8
Total Enrollment for Most Recent School Year	1,043 Beginning 1,033 Ending
Intermediate Unit Number	4
District Vo-Tech School	Mercer County Career Center

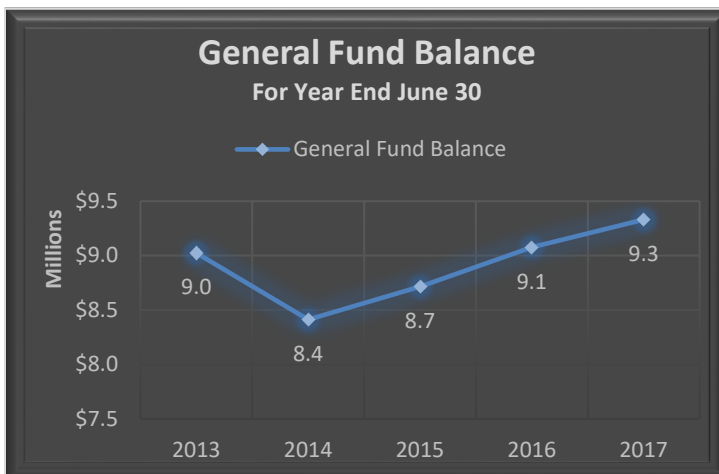
A - Source: Information provided by the District administration and is unaudited.

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

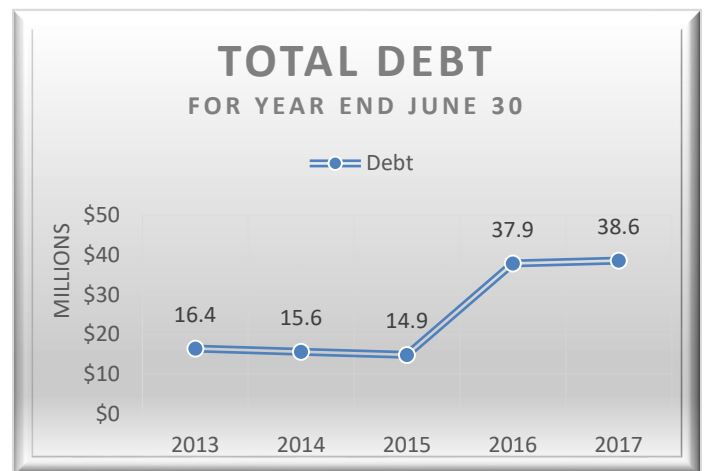
In partnership with families and the community at large, the Lakeview School District's mission is to prepare our students to achieve their fullest potential in a global society by providing our students a rigorous and comprehensive education in a safe and stimulating environment committed to excellence.

## Financial Information

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



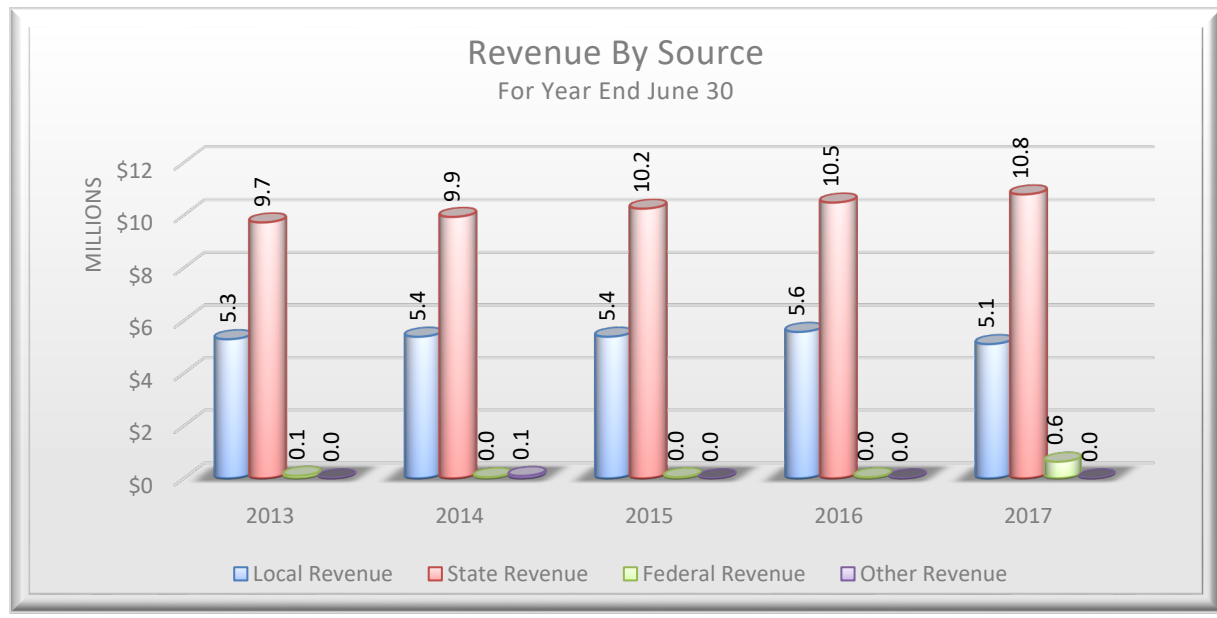
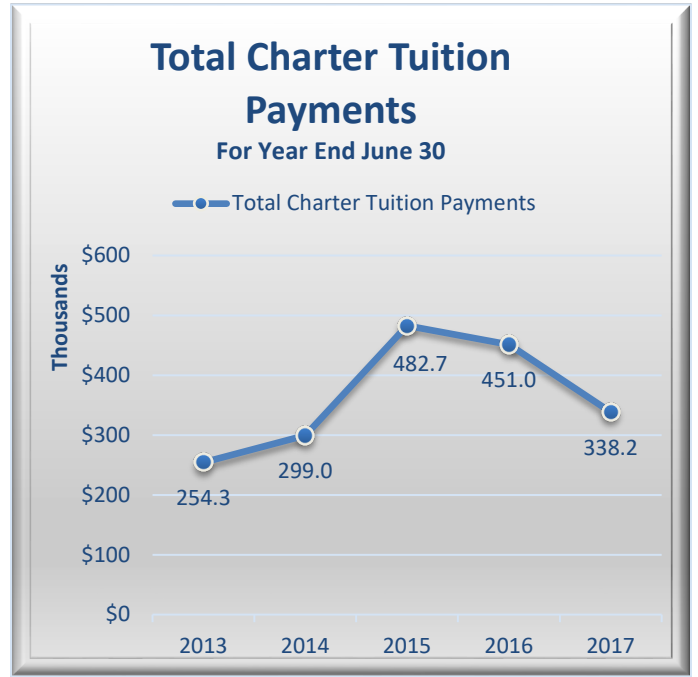
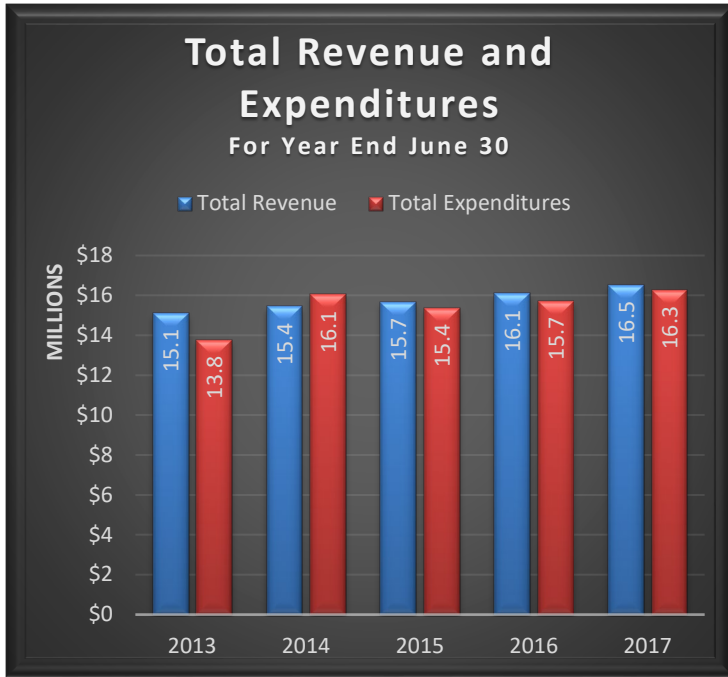
**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**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.

<sup>1</sup> The District's high school and middle school are in the same physical building. However, the academic scores are presented separately.

## 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 PDE's data files for the 2014-15, 2015-16, and 2016-17 school years.<sup>2</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 graph.<sup>3</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>4</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 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.

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>5</sup> 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.<sup>6</sup> In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

---

<sup>2</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>3</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>4</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>5</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 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.

<sup>6</sup> 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.<sup>7</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 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>8</sup>

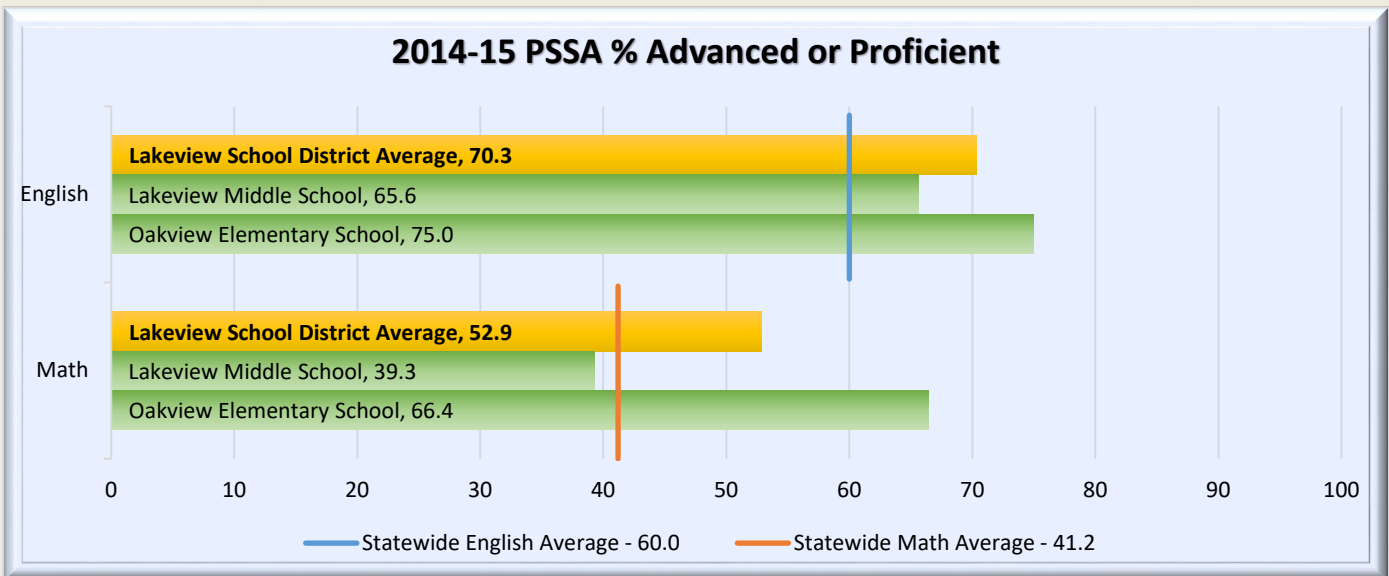
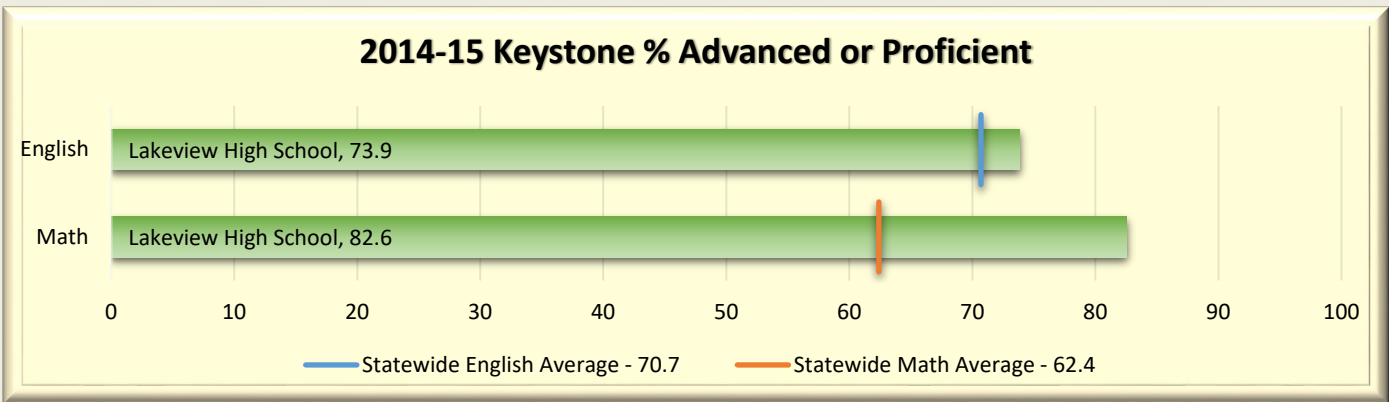
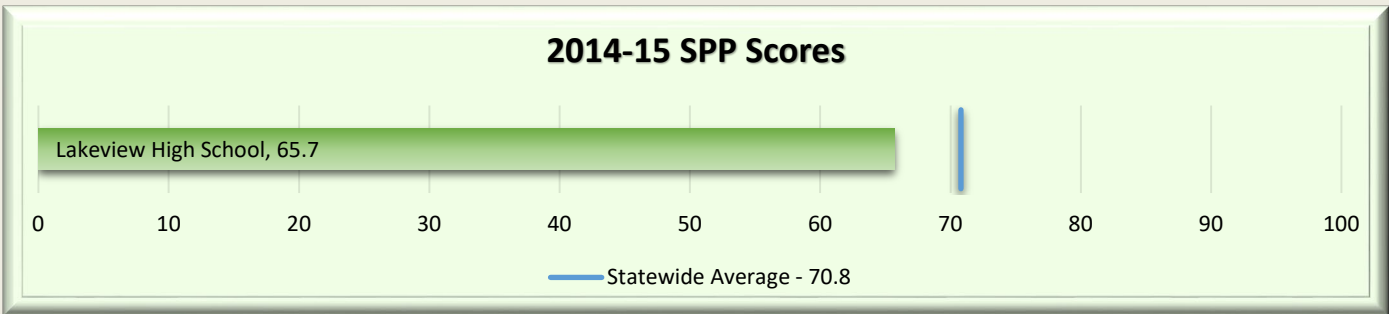
---

<sup>7</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.

<sup>8</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>.

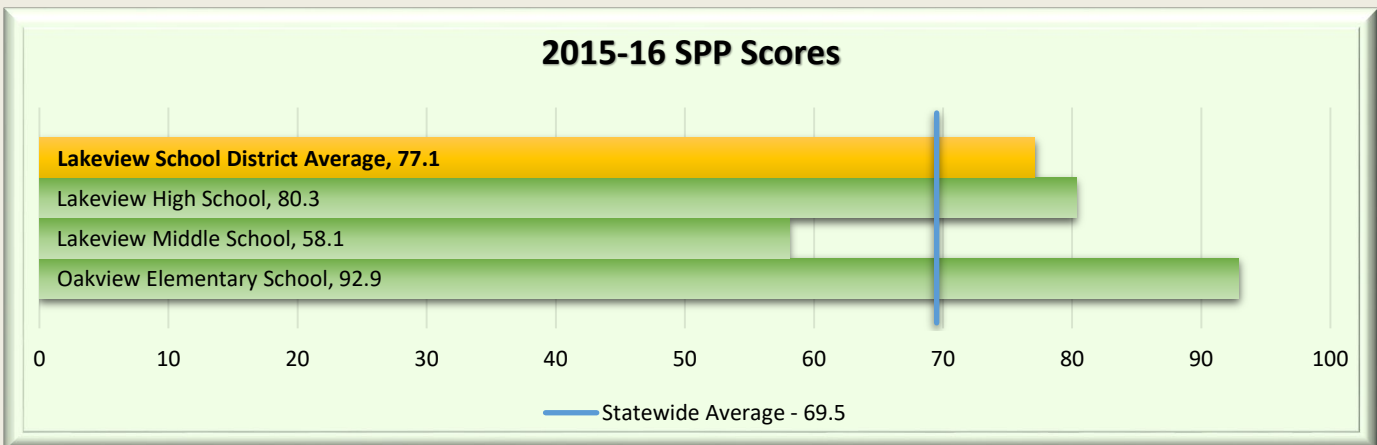


**2014-15 Academic Data**  
**School Scores Compared to Statewide Averages**

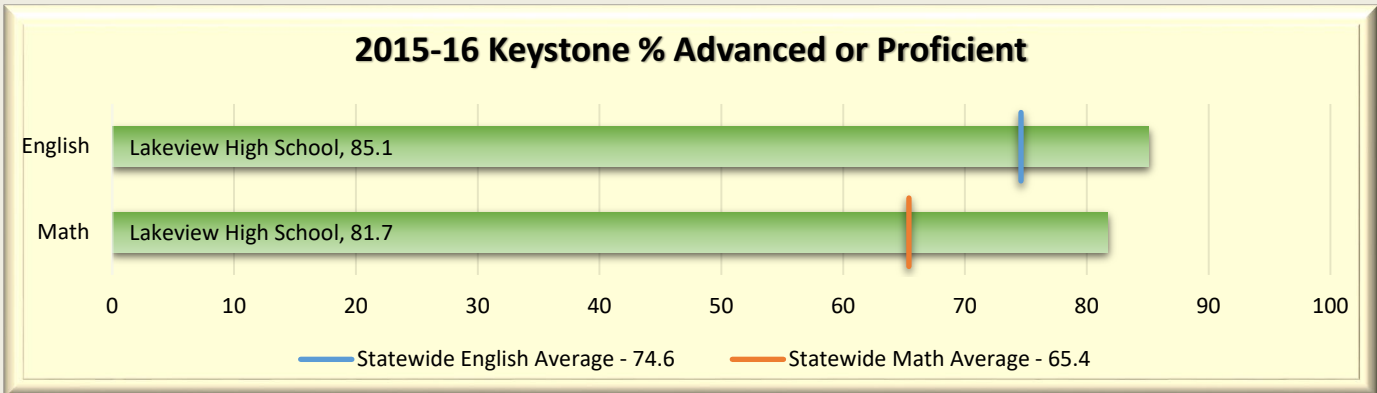


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

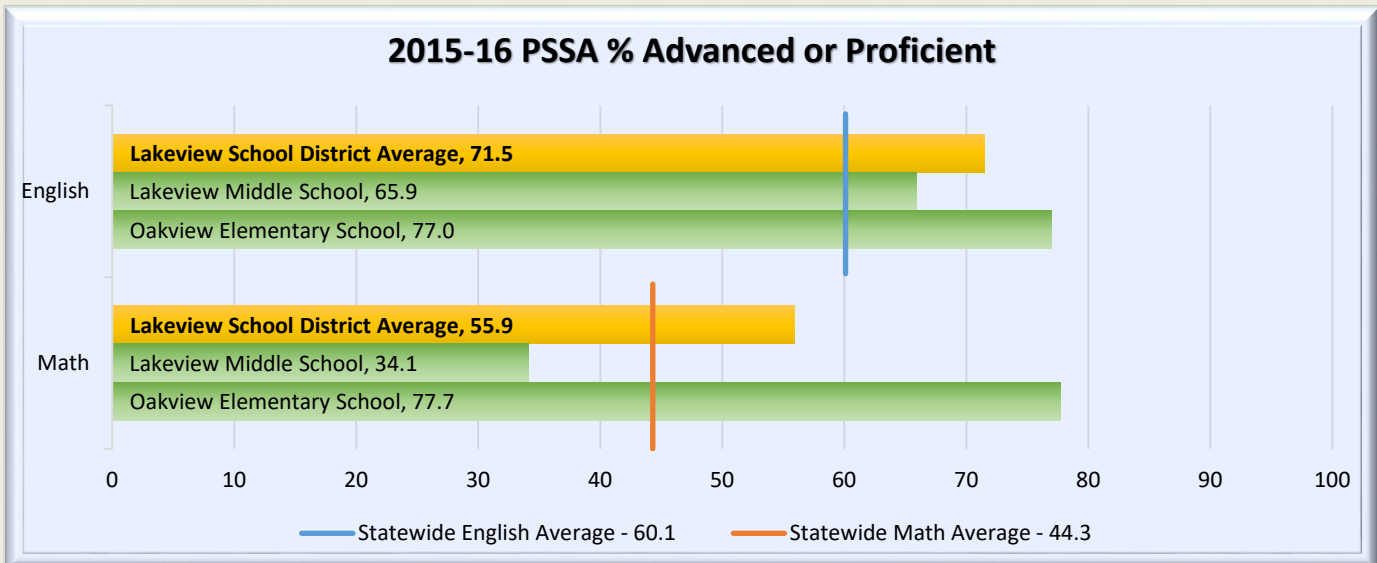
**2015-16 SPP Scores**



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

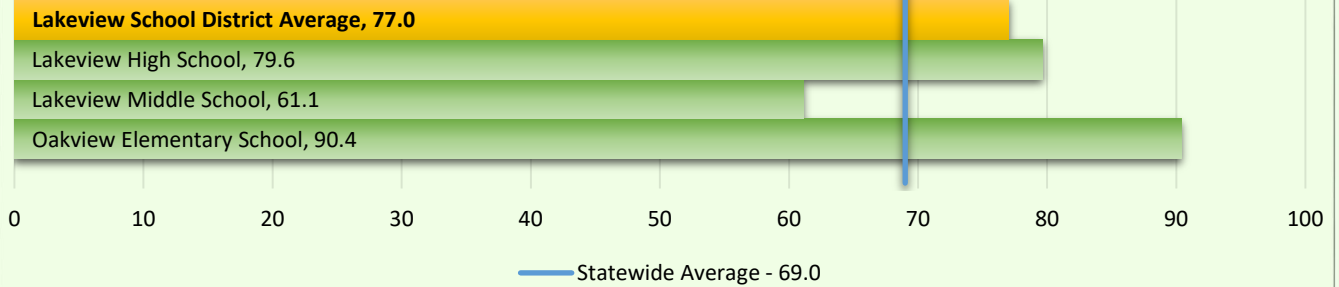


**2015-16 PSSA % Advanced or Proficient**

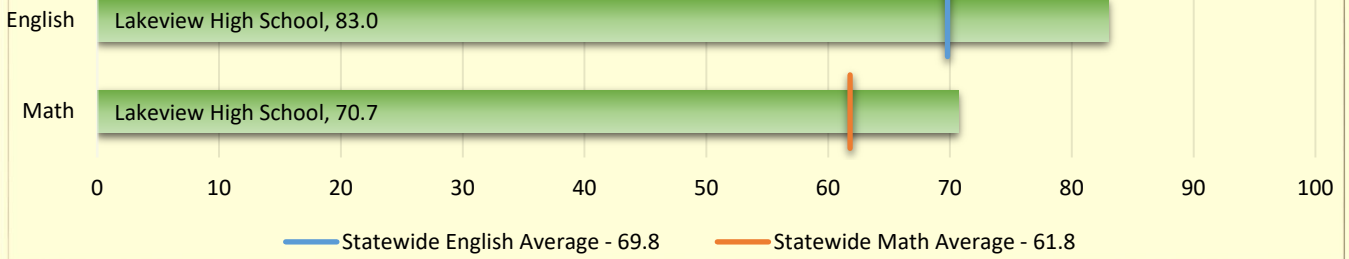


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**

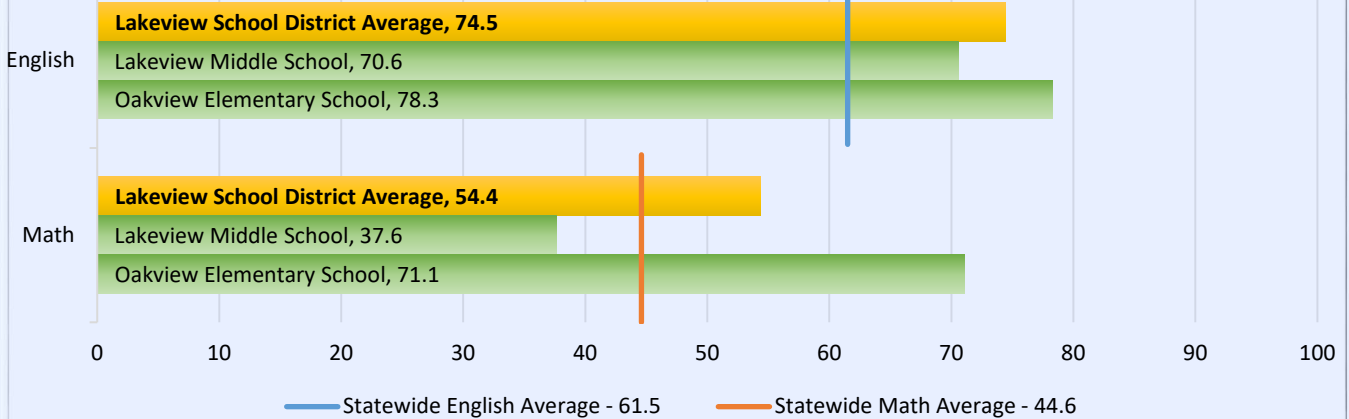
**2016-17 SPP Scores**



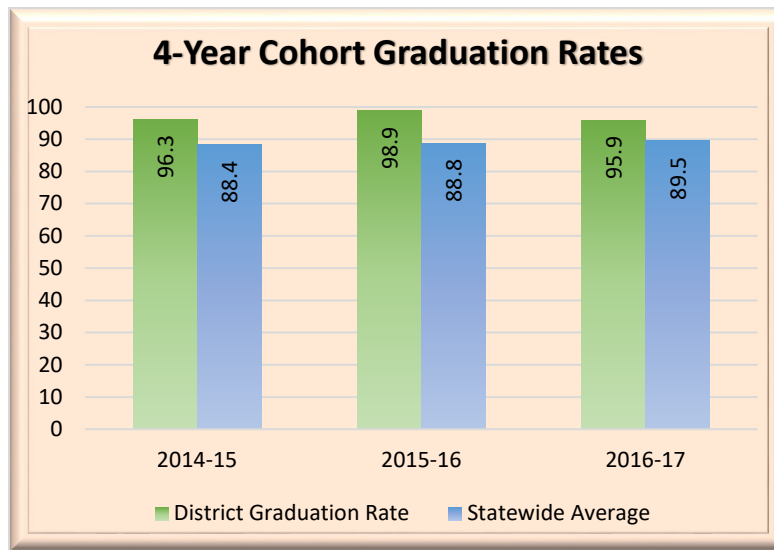
**2016-17 Keystone % Advanced or Proficient**



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



**Graduation Data**  
**District Graduation Rates Compared to Statewide Averages**



## Finding

---

### Finding

### The District Failed to Retain Required Documentation to Support the Over \$42,000 Received in Commonwealth-paid Tuition for Educating Nonresident Students

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

##### **Record Retention Requirement**

Section 518 of the Public School Code (PSC) requires that financial records of a district be retained by the district for a period of not less than **six years**. (Emphasis added.) *See* 24 P.S. § 5-518.

##### **Payment of Tuition**

Section 1305(a) of the 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 Lakeview School District (District) did not comply with the record retention provisions of the Public School Code (PSC) and the State Board of Education’s regulations when it failed to retain adequate supporting documentation to verify \$42,395 in Commonwealth-paid tuition for educating nonresident students during the 2014-15 and 2015-16 school years.<sup>9</sup> Without proper documentation, we were unable to verify the accuracy of the District’s reporting of nonresident students and the Commonwealth-paid tuition received for the 2014-15 and 2015-16 school years.

As discussed in the criteria box to the left, school districts are entitled to receive Commonwealth-paid tuition for educating 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 a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.<sup>10</sup> Additionally, the resident must be compensated for care of the student.

These students are commonly referred to as “foster students,” and it is the requirement of the educating District to obtain the required documentation to correctly categorize and accurately report the number of these students to PDE. The District was unable to produce the documentation required to support the number of these nonresident students reported to PDE. Without this critical documentation, we were unable to verify the accuracy of the tuition received by the District.

---

<sup>9</sup> The District did not report any nonresident students as educated during the 2016-17 and 2017-18 school years. *See* 24 P.S. § 5-518 for the record retention requirement of the PSC.

<sup>10</sup> For example, the relevant 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).

State Board of Education regulations and the Pennsylvania Department of Education guidelines govern the classification of nonresident children placed in private homes.

The table below illustrates the number of foster students reported as educated by the District and the corresponding amount of Commonwealth-paid tuition received by the District for these students.

Lakeview School District Nonresident Data Reported to PDE		
School Year	Reported Number of Foster Students	Commonwealth-paid Tuition Received <sup>11</sup>
2014-15	3	\$30,972
2015-16	2	\$11,423
<b>Totals</b>	<b>5</b>	<b>\$42,395</b>

On numerous occasions during our audit, we requested documentation from the District to support the information pertaining to the foster students it reported to PDE as educated by the District. However, the District was unable to produce information supporting that these students were accurately reported. In addition to the District not being able to provide the information it was required to maintain by the PSC, it also lacked procedures related to assuring proper review and reporting of nonresident students to PDE. District officials attributed the inability to produce supporting documentation for the 2014-15 and 2015-16 school years to turnover in the role of the position responsible for reporting student residency data to PDE.

### Recommendations

The *Lakeview School District* should:

1. Ensure that all required supporting documentation is obtained and maintained for all nonresident students reported to PDE as educated by the District.
2. Establish a safe and adequate location to store all source documents and calculations supporting nonresident student data submitted to PDE.
3. Ensure that record retention procedures, including locations, are documented and staff are trained on the procedures.

<sup>11</sup> Commonwealth tuition is determined by identifying if the nonresident student is an elementary or secondary school student and the District’s tuition rate for the applicable category.

*Criteria relevant to the finding  
(continued):*

Subsection (a) of Section 11.19 (relating to Nonresident child living with a district resident) of the State Board of Education’s regulations provides as follows, in part.

“(a) A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the resident’s own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is a resident of the district, the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term.” See 22 Pa. Code § 11.19(a).

4. Establish District procedures that specifically address how and by whom, nonresident student data is collected, reviewed, and reported to PDE.

### **Management Response**

District management provided the following response:

Establish a District procedure to determine how and by whom proper non-resident placement documents will be obtained, reviewed and stored for all non-resident students (for each school year).

### **Auditor Conclusion**

We are pleased that the District is implementing corrective action to address the issue noted in our finding. We believe the implementation of our recommendations will help the District accurately report student resident data to PDE. We will review the changes to the District’s corrective actions taken during our next audit.

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

---

**O**ur prior audit of the Lakeview 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,<sup>12</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### **Scope**

Overall, our audit covered the period July 1, 2014 through June 30, 2018. In addition, the scope of each individual audit objective is detailed on the next page.

The Lakeview School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).<sup>13</sup> In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

---

<sup>12</sup> 72 P.S. §§ 402 and 403.

<sup>13</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, 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
- ✓ Bus Driver Requirements
- ✓ Administrator Separations
- ✓ 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?<sup>14</sup>
  - To address this objective, we reviewed all 5 of the nonresident foster students reported to PDE as educated by the District from July 1, 2014 through June 30, 2018. We attempted to obtain documentation to verify that the custodial parent 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 Instructional Time and Membership Report to ensure that the District received the correct reimbursement for these students. See the finding on page 9 of this report for the results of our review of this objective.
- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances<sup>15</sup> as outlined in applicable laws?<sup>16</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?

---

<sup>14</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

<sup>15</sup> 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.

<sup>16</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.

- To address this objective, we randomly selected 10 of the 57 bus drivers transporting District students as of July 1, 2019.<sup>17</sup> We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District 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 contracts comply with the Public School Code<sup>18</sup> and Public School Employees' Retirement System (PSERS) guidelines?
  - To address this objective, we reviewed the contract, settlement agreement, board meeting minutes, board policies, and payroll records for the one administrator who separated employment from the District during the period February 2, 2016 through June 30, 2016. We verified the reason for separation and reviewed payroll records to ensure that payments were correctly reported to PSERS. Our review of this objective did not result in any reportable issues.
- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>19</sup>
  - 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.<sup>20</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, PDE, and other appropriate agencies deemed necessary.

---

<sup>17</sup> While representative selection is a required factor of audit sampling methodologies, audit-sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

<sup>18</sup> 24 P.S. § 10-1073(e)(v).

<sup>19</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>20</sup> 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

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