

PERFORMANCE AUDIT

Manheim Central School District Lancaster County, Pennsylvania

June 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Peter J. Aiken, Superintendent
Manheim Central School District
281 White Oak Road
Manheim, Pennsylvania 17545

Mrs. Linda Williams, Board President
Manheim Central School District
281 White Oak Road
Manheim, Pennsylvania 17545

Dear Dr. Aiken and Mrs. Williams:

Our performance audit of the Manheim Central 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, 2012 through June 30, 2016, 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 reviewed the District's procedures related to certain areas of school safety. Due to the sensitive nature of this issue and the potential for malicious use of our findings, we did not include the results of our review 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 agencies we deemed necessary.

Dr. Peter J. Aiken
Mrs. Linda Williams
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

May 30, 2018

cc: **MANHEIM CENTRAL 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 Manheim Central 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, 2012 through June 30, 2016, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. (See Appendix) Compliance specific to state subsidies and reimbursements was determined for the 2015 and 2016 school years.

Audit Conclusion and Results

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

Finding No. 1: The Former Assistant Superintendent's Separation Agreement Was Not Publicly Disclosed and Approved by the Board. During our review of the board meeting minutes related to the acceptance of the former Assistant Superintendent's resignation, we found that the Board of School Directors (Board) did not publicly disclose and approve a separation agreement that was discussed

during a preceding executive session. The Board and District management should have provided residents of the District with notification about the previously signed Separation Agreement and its associated costs on the published agenda for the January 27, 2014, school board meeting in accordance with the Public School Code (see page 9).

Finding No. 2: The District Reported Unqualified Earnings to PSERS for a Former Assistant Superintendent. The District incorrectly reported *unqualified earnings* to the Public School Employees' Retirement System (PSERS) for a former Assistant Superintendent. Since PSERS retirement benefits are calculated using a formula that factors in an employee's final average salary, the reported unqualified earnings of approximately \$16,000 improperly inflated the former Assistant Superintendent's retirement benefits (see page 13).

Status of Prior Audit Findings and Recommendations. The District implemented our prior recommendations in regard to the finding concerning inaccurate reporting of retirement compensation (see page 16). In regard to the finding concerning child accounting, the District implemented recommendations 1-4 and partially implemented recommendation 5 (see page 17).

Background Information

| School Characteristics 2016-17 School Year ^A | |
|--|---|
| County | Lancaster |
| Total Square Miles | 78.2 |
| Resident Population^B | 24,089 |
| Number of School Buildings | 4 ^C |
| Total Teachers | 228 |
| Total Full or Part-Time Support Staff | 145 |
| Total Administrators | 19 |
| Total Enrollment for Most Recent School Year | 2,928 |
| Intermediate Unit Number | 13 |
| District Vo-Tech School | Lancaster County Career & Technology Center |

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

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

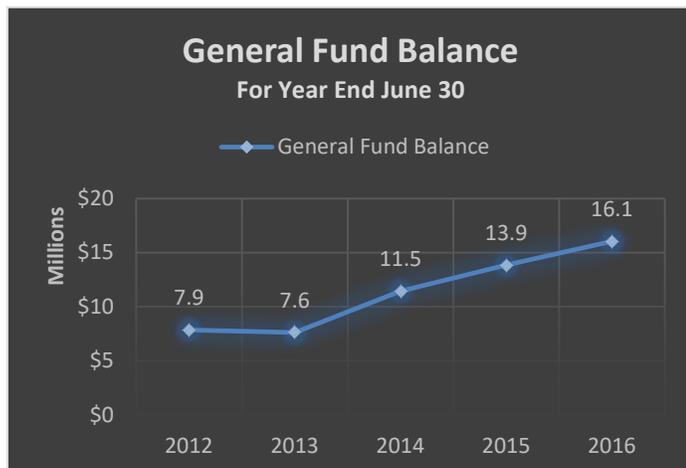
C - Stiegel Elementary was closed at the end of the 2016-17 school year.

Mission Statement^A

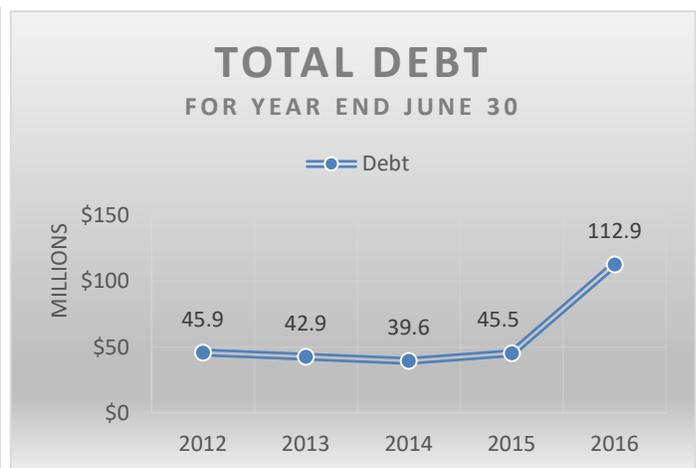
To prepare responsible citizens who are lifelong learners.

Financial Information

The following pages contain financial information about the Manheim Central 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**.

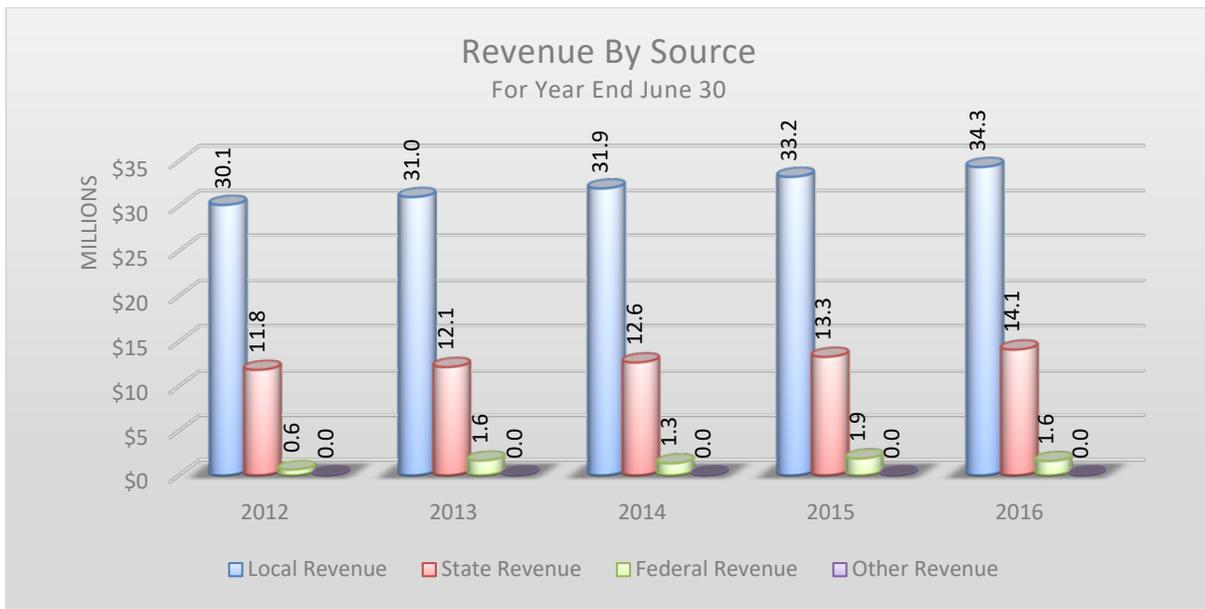
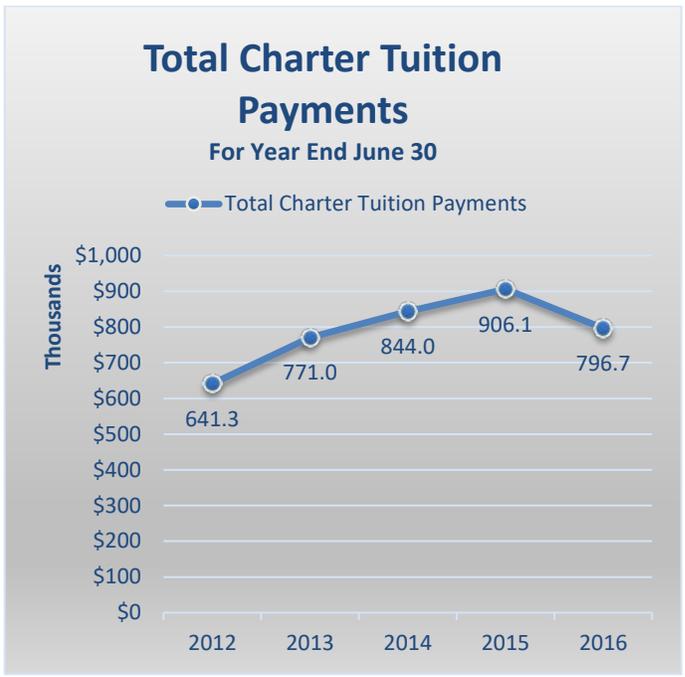
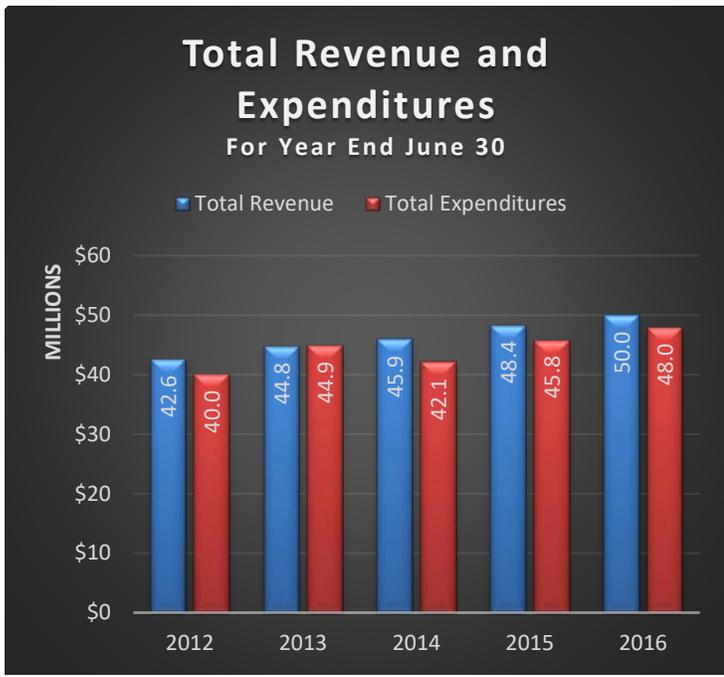


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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 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.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 chart.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. 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.⁴ 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.

¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically 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 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 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.⁵ 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?

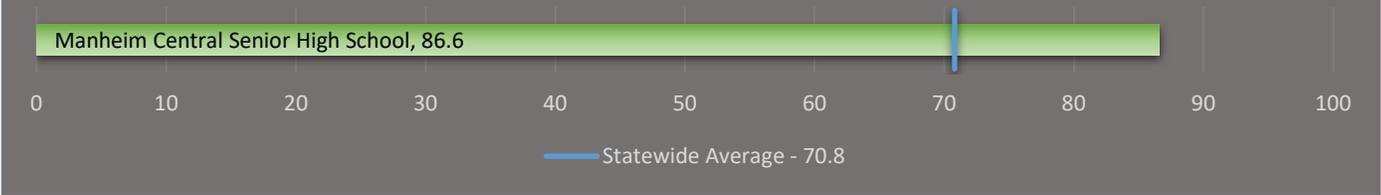
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student 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.⁶

⁵ 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. (See also footnote 4).

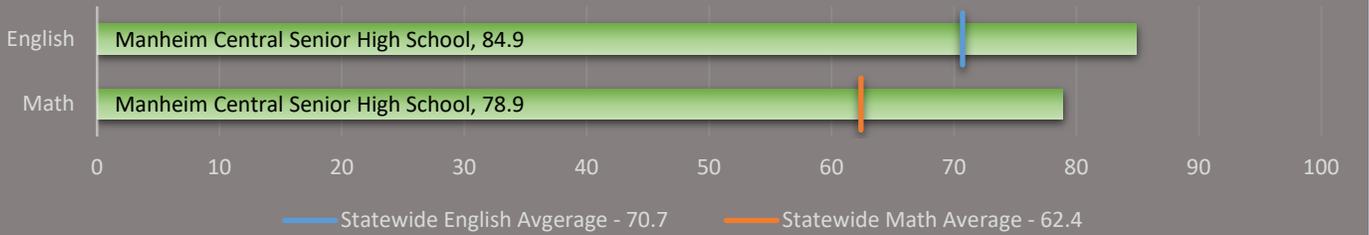
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

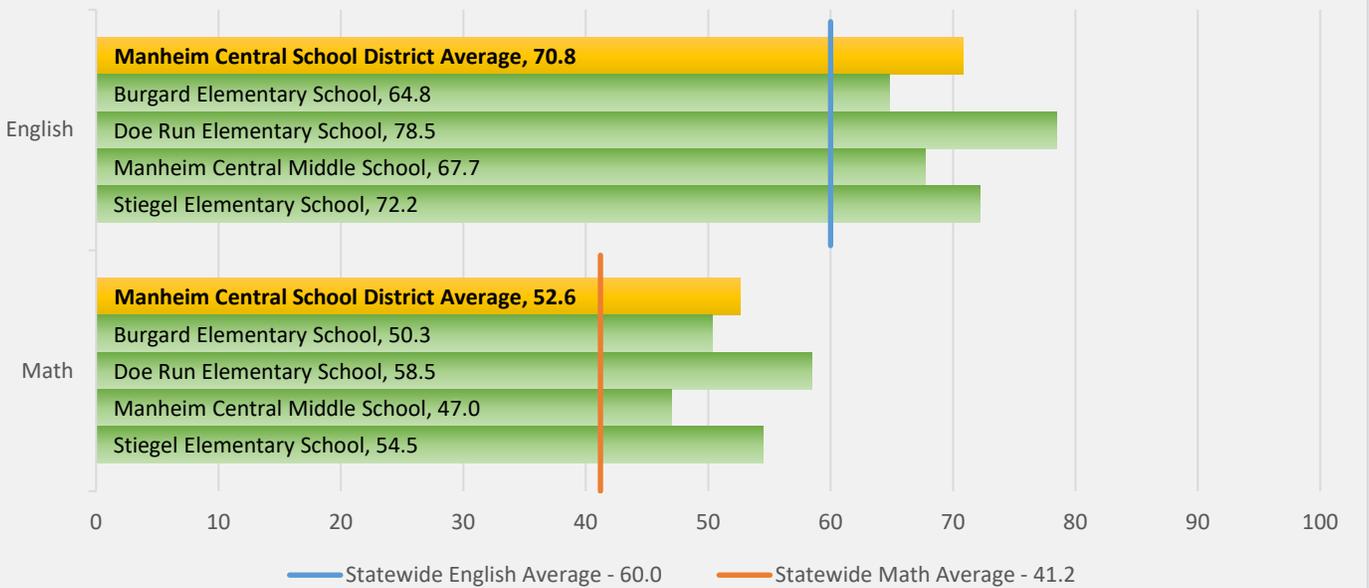
2014-15 SPP Scores



2014-15 Keystone % Advanced or Proficient

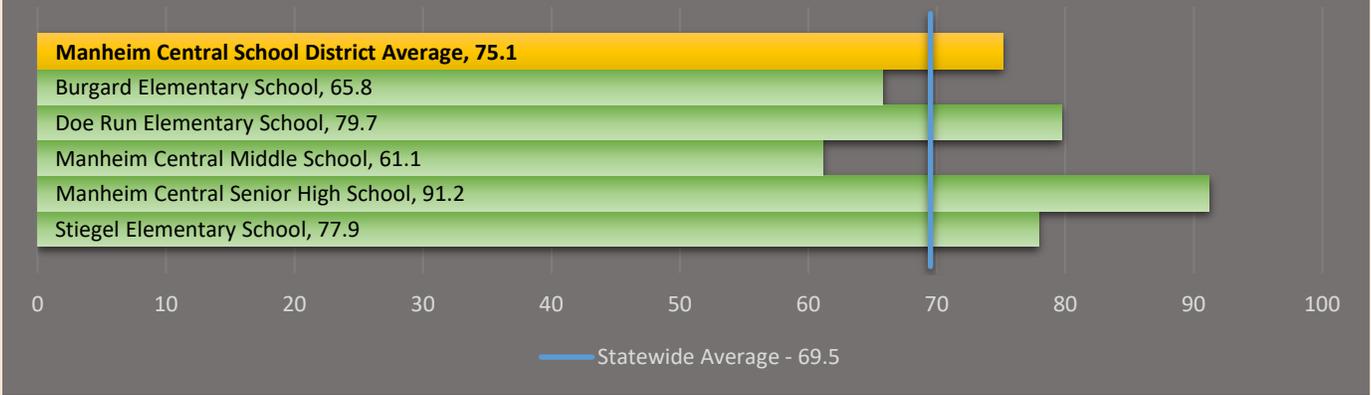


2014-15 PSSA % Advanced or Proficient

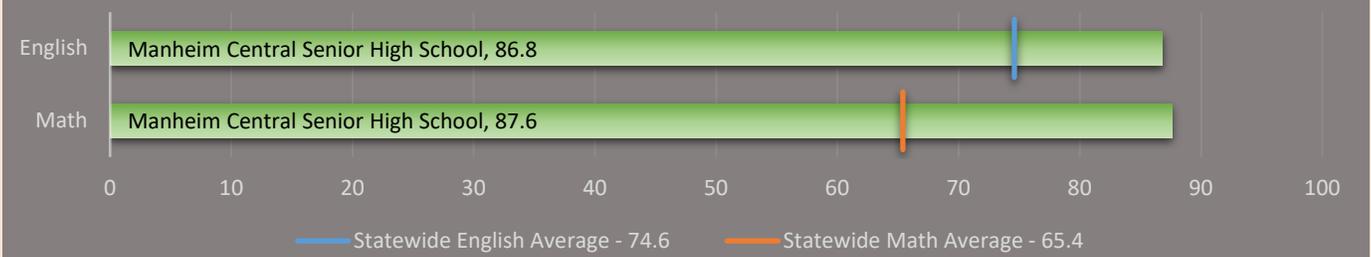


2015-16 Academic Data
School Scores Compared to Statewide Averages

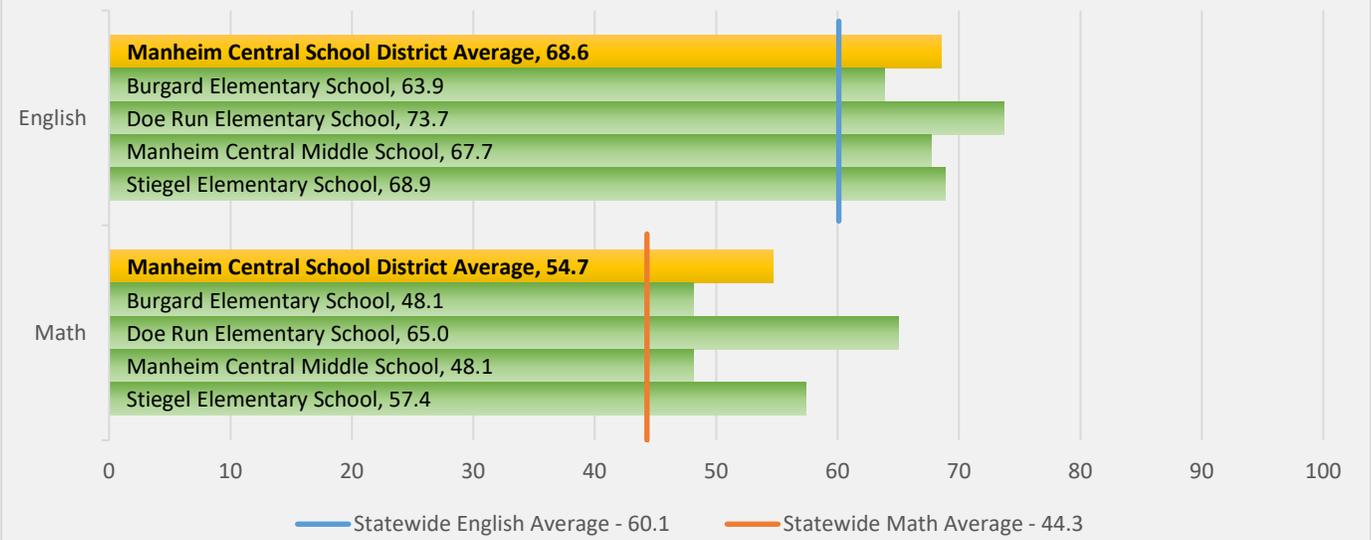
2015-16 SPP Scores



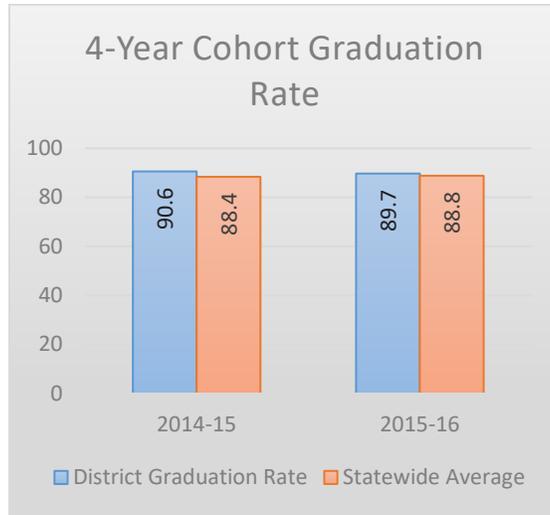
2015-16 Keystone % Advanced or Proficient



2015-16 PSSA % Advanced or Proficient



4-Year Cohort Graduation Rate



Findings

Finding No. 1

The Former Assistant Superintendent's Separation Agreement Was Not Publicly Disclosed and Approved by the Board

Criteria relevant to the finding:

Section 508 of the Public School Code (PSC) provides, in part: "The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on, among others, the following subjects:***

Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100).***

Failure to comply with the provisions of this section shall render such acts of the board of school directors void and unenforceable." See 24 P.S. § 5-508.

Sunshine Act

Section 708(c) of the Sunshine Act provides as follows: "Limitation.-- Official action on discussions held pursuant to subsection (a)[regarding the Purpose of executive sessions] shall be taken at an open meeting." See 65 Pa.C.S. § 708(c).

Section 704 of the Sunshine Act provides as follows:

"Official action and deliberations by a quorum of the members of an agency shall take place at a meeting open to the public unless [otherwise] closed [pursuant to the act]. . ." See 65 Pa.C.S. § 704.

During our review of the board meeting minutes related to acceptance of the former Assistant Superintendent's resignation, we found that the Board of School Directors (Board) did not publicly disclose and approve a separation agreement that was discussed during a preceding executive session. The Board and District management should have provided residents of the District with notification about the previously signed Separation Agreement and its associated costs on the published agenda for the January 27, 2014, school board meeting in accordance with the Public School Code (PSC).

Pursuant to the PSC, any contract where the amount involved exceeds \$100 requires the affirmative vote of a majority of all the board members and must be "duly recorded, showing how each member voted." Further, pursuant to the Sunshine Act, any official action and deliberations on discussions held during an executive session must be taken at an open meeting.

Contract Provisions

On November 24, 2009, at a public meeting, the Board appointed the former Assistant Superintendent to the position of Assistant Superintendent and subsequently approved her employment contract for a five-year term commencing January 4, 2010, and ending January 4, 2015.

Board Action on the Resignation and Separation Agreement

The former Assistant Superintendent's submitted a letter of resignation effective December 31, 2013, which was placed on the agenda for the January 27, 2014, board meeting. At this meeting, the Board formally accepted the former Assistant Superintendent's resignation with an effective date of December 31, 2013. The approved meeting minutes

*Criteria relevant to the finding
(continued):*

**Provisions in the Contract; and
Separation Agreement**

Severance Payments

Separation Agreement Section 2.2.4
Severance in the amount of \$45,000
made payable to [her] attorneys.

Separation Agreement Section 2.4
The School district will pay
[Assistant Superintendent], a
settlement agreement in the amount
of \$25,000.

did not contain a motion to approve the Separation Agreement or any acknowledgement that the former Assistant Superintendent signed this agreement on January 10, 2014.

District officials stated that the Separation Agreement was discussed during executive sessions at previous board meetings and during an executive session prior to the meeting on January 27, 2014; however, the board meeting minutes did not disclose or acknowledge the Separation Agreement.

Details of the separation agreement were made available to the public when published in a newspaper article on March 6, 2014. The news organization obtained the separation agreement through a Right-to-Know Law request.

Separation Agreement Provisions

The Separation Agreement was signed on January 10, 2014, with an effective date of December 31, 2013. The Agreement provided the former Assistant Superintendent with a severance payment in the amount of \$45,000 and a settlement payment of \$25,000. These provisions were not included in the former Assistant Superintendent's contract.

Despite the December 31, 2013, effective date on the Separation Agreement, we found that the former Assistant Superintendent had not engaged in any work activity for the District since November 11, 2013. From November 12, 2013, through December 31, 2013, the former Assistant Superintendent was paid her contracted wages despite not engaging in any work activity for the District or being on any type of leave/suspension. The total cost to the District of the wages paid during this time, the severance payment, and the settlement payment was \$85,885.

Summary

The Board accepted the former Assistant Superintendent's resignation during a public board meeting, which did not disclose the existence of or any of the terms in the previously signed Separation Agreement.

The PSC requires the Board to approve contracts, including Separation Agreements, at a public meeting. In addition, under the Sunshine Act, any official action and deliberations on discussions held during a board executive session should have been taken at an open meeting. The Separation Agreement was not approved at a public meeting, and the District itself did not release any information to the public concerning the separation terms.

Recommendations

The *Manheim Central School District* should:

1. Ensure that all contracts and agreements are approved at a public meeting as required by the PSC and the Sunshine Act.
2. Ensure that employment contracts for Superintendents and Assistant Superintendents clearly state all termination, buyout, and severance provisions as required by the PSC.⁷

Management Response

“While the District agrees that the separation agreement was not properly listed as a separate motion and approval, it was publicly discussed prior to acceptance of the Assistant Superintendent’s resignation. While not properly handled in accordance of the Public School Code, there was no intent to deceive or withhold the existence of the agreement or the terms of the agreement from the public.

The District lacked a full-time HR Director at the time of this action and that contributed to the oversight.

The District will ensure that all contracts and agreements are properly approved in accordance with the PSC and the Sunshine Act.

The District will also ensure that all Superintendent and Assistant Superintendent Contracts include the proper termination provisions as required by Section 1073 (e) of the PSC.”

⁷ 24 P.S. § 10-1073(e).

Auditor Conclusion

The PSC is very clear concerning the need for districts to record and show how each board member voted when approving contracts that exceed \$100. The District's separation agreement with the former Assistant Superintendent clearly meets this requirement. We are pleased that the District acknowledges that improvements can be made to ensure compliance with the PSC and Sunshine Act. We believe that the implementation of our recommendations will help to better ensure compliance with the PSC and the Sunshine Act.

Finding No. 2

The District Reported Unqualified Earnings to PSERS for a Former Assistant Superintendent

Criteria relevant to the finding:

The Public School Employees' Retirement Code defines a school employee as "[A]ny person **engaged in work** relating to a public school for any governmental entity and for which work he is receiving regular remuneration as an officer, administrator or employee excluding, however, any independent contractor or a person compensated on a fee basis." (Emphasis added.) See 24 Pa.C.S. § 8102.

According to the PSERS Employers' Retirement Manual (ERM), PSERS allows only qualified earnings to be reported for the determination of retirement benefits. Qualified earnings include regular salary/wages, overtime, and wages paid for extracurricular activities. (See the ERM, Chapter 8, rev. 4/15/2016, page 4.)

In addition, the ERM identifies numerous specific exclusions from qualified earnings for purposes of reporting to PSERS. In Chapter 10, a section entitled "Administrative Leave Including Suspension," the following subsections are addressed (among others):

The District incorrectly reported *unqualified earnings* to the Public School Employees' Retirement System (PSERS) for a former Assistant Superintendent. Since PSERS retirement benefits are calculated using a formula that factors in an employee's final average salary, the reported unqualified earnings of approximately \$16,000 improperly inflated the former Assistant Superintendent's retirement benefits.⁸

According to the PSERS Employers' Reference Manual (ERM), only *qualified earnings* should be reported to PSERS. Defined broadly, qualified earnings include salary and wages paid to an employee for work performed. The ERM defines qualified and unqualified earnings, and it specifically excludes administrative leave for disciplinary suspension and contract buyouts.⁹

According to a signed separation agreement, the Assistant Superintendent remained employed with the District through December 31, 2013. However, we found that the Assistant Superintendent's final day of work was actually November 11, 2013. Therefore, the \$15,885 in compensation paid from November 12, 2013 through December 31, 2013, constituted payments for administrative leave, akin to a contract buyout. Therefore, this compensation should not have been reported to PSERS as qualified earnings.¹⁰ (Finding No. 1 addresses authorization and transparency issues related to the aforementioned Separation Agreement.)

⁸ According to PSERS, the final average salary factors into the retirement benefit calculation. <http://www.psers.pa.gov/Active-Members/Pages/StatementOfAccount.aspx>. Accessed on May 3, 2018.

⁹ Public School Employees' Retirement System. *Employers' Reference Manual – Chapter 10. Reporting – Leaves of Absence*. Revised May 23, 2016. Page 6.

¹⁰ Other compensation related to the former Assistant Superintendent's separation from the District was properly unreported to PSERS as qualified earnings and, therefore, is not discussed in this finding.

*Criteria relevant to the finding
(continued):*

“Eligibility. A PSERS member may be granted other types of leaves of absence (including but not limited to a disciplinary suspension and contract buyout), not recognized as an approved leave of absence by the Retirement Code, and, therefore, will not entitle the member to any credited service during the period **of leave.**” (Emphasis added.)

“Reporting Requirements . . . Member Contributions should not be paid by the school employee or deducted by the employer . . . Employer Contributions should not be paid by the employer.” (See the ERM, Chapter 10, rev. 5/23/2016, page 6.)

In addition to the District’s reporting of unqualified earnings to PSERS, we found that it incorrectly deducted 7.5 percent of the \$15,885 payment, or \$1,191, from the former Assistant Superintendent’s earnings as an employee contribution to PSERS. We also found that the District contributed the 2013-14 PSERS employer contribution rate of 16.9 percent, or \$2,689, for the \$15,885 payment. The District should not have deducted the employee contribution from unqualified earnings, nor should it have provided an employer contribution to PSERS on the unqualified earnings.

Recommendations

The *Manheim Central School District* should:

Require District personnel responsible for reporting compensation data to PSERS to review the ERM, in particular the specific definitions and examples of qualified and unqualified earnings. This will improve the accuracy of its reporting. It should also ensure that there is a routine and timely review and approval of compensation reported to PSERS.

The *Public School Employees’ Retirement System* should:

Review the compensation reported by the District for the former Assistant Superintendent cited in this report and render an opinion on the propriety of the compensation reported by the District. If any portion of the compensation is determined to be ineligible for retirement, PSERS should make the necessary correction(s) to the pension benefits and contributions.

Management Response

“This was the result of a lack of awareness on the payroll processors part. The district acknowledges that the payroll preparer at the time of this oversight lacked the proper knowledge of the situation and did not properly exclude the ineligible wages. In addition, the District lacked a full-time HR Director at the time of this situation.

The current payroll administrator is fully aware of the contents of the PSERS Employers’ Reference Manual (ERM) and will ensure that wages are properly reported in accordance with said ERM.

In addition, the District currently has a full-time HR Director on staff to coordinate communication for any similar situations occurring in the future.”

Auditor Conclusion

We are pleased that the District agreed with our finding and that it is implementing steps to address the issues we noted. We will review the actions taken by the District in our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Manheim Central School District (District) released on June 30, 2014, resulted in two findings, 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 reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on June 30, 2014

Prior Finding No. 1: Possible Inaccurate Reporting of Retirement Compensation

Prior Finding Summary: During our prior audit of the District's payroll records, we found the District may have inaccurately reported compensation eligible for retirement to the Public School Employees' Retirement System (PSERS) for the 2008-09, 2009-10, 2010-11, and 2011-12 school years. Based on the Collective Bargaining Agreements, District employees were entitled to a non-cumulative stipend of \$7,000 from July 1, 2004 through June 30, 2012, and a non-cumulative stipend of \$3,500 from July 1, 2012 through June 30, 2014, for individuals who attain National Board Certification (NBC) as defined by the National Board of Professional Teaching Standards for each year the NBC was maintained.

Prior Recommendations: We recommended that the District should:

1. Contingent upon PSERS determination, ensure the proper adjustments are made for all individuals whose eligible retirement compensation were not correctly reported.
2. Implement procedures for reviewing all salary and contribution reports prior to submission to PSERS in order to ensure that only eligible compensation is being reported to PSERS for retirement purposed, in accordance with the PSERS' Employer Reference Manual.
3. Contingent upon PSERS determination, provide to PSERS any documentation that PSERS needs to adjust incorrectly reported retirement compensation for periods prior to July 1, 2008, during the audit period of July 1, 2008 through June 30, 2012, and after July 1, 2012.

We also recommended the Public School Employees' Retirement System should:

4. Review NBC payments made to employees from July 1, 2008 through June 30, 2012, to determine if the compensation was properly reported to PSERS for retirement purposes.
5. Based on its final determination, PSERS should adjust all compensation incorrectly reported by the District for professional employees from July 1, 2008 through June 30, 2012. Furthermore, PSERS must advise the District on how to resolve any compensation incorrectly reported to PSERS for all employees from July 1, 2004 through June 30, 2008, and July 1, 2012 through June 30, 2014, who received NBC stipends.
6. Consider incorporating revisions into the Public School Employees' Retirement System Employer Manual, which addresses the handling of stipends such as the NBC, to ensure the correct reporting of retirement compensation.

Current Status: In January 2016, PSERS determined the compensation to be allowable retirement wages. This determination by PSERS made our additional recommendations to the District and PSERS moot.

Prior Finding No. 2: Inadequate Internal Controls over Pupil Membership Data

Prior Finding Summary: During our prior audit of the District's pupil membership data for the 2009-10, 2010-11, and 2011-12 school years, we found membership days and instructional time data reported to PDE by District personnel was inaccurate for the 2009-10, 2010-11, and 2011-12 school years. District personnel provided detailed pupil membership reports from their Student Information System (SIS) that did not agree with the final the Pennsylvania Information Management System (PIMS) reports. We found numerous discrepancies with the data reported to PDE.

Prior Recommendations: We recommended that the District should:

1. Develop and implement procedures to ensure detailed SIS generated pupil membership reports are reconciled to final PIMS reports and the Instructional Time and Membership Reports (ITMR).
2. Establish procedures to ensure the proper data elements are selected within the SIS to generate accurate and reliable membership reports.

3. Develop and implement written procedures for collecting, recording, and reporting of membership data to avoid reporting inaccurate data to PDE.
4. Review membership data submitted to PDE for years subsequent to our audit. If errors are found, submit the revisions to PDE.
5. Retain reports used to reconcile PIMS, SIS, and ITMR data for audit purposes.

Current Status:

We found that the District implemented most of our prior audit recommendations. The District currently reconciles SIS generated membership reported to the final PIMS and Instruction Time and Membership Reports. Additionally, while the District has established and implemented procedures to generate accurate and reliable membership reports, we found multiple instances where the District failed to retain agency placement letters for children placed in private homes during the audit period. We recommend that the District retain all placement letters to support information found in PIMS, SIS, and ITMRs.

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, Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹¹ 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 Manheim Central School District's (District) management is responsible for establishing and maintaining effective internal controls¹² 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.

¹¹ 72 P.S. §§ 402 and 403.

¹² 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:

- ✓ Administrator Contract Buyout
- ✓ Data Integrity
- ✓ 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 pursue a contract buyout with an administrator and if so, what was the total cost of the buyout, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code¹³ and the Public School Employees' Retirement System (PSERS) guidelines?
 - To address this objective, we reviewed the employment contracts, board meeting minutes, board policies, payroll records, and leave records for all five administrators who separated from employment with the District during the period July 1, 2012 through January 5, 2018. Our review of this objective disclosed two reportable issues as noted in the two findings above.
- ✓ Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁴
 - To address this objective, we reviewed all nonresident students placed in private homes enrolled at the District during the period of July 1, 2012 through June 30, 2016. We reviewed the District's child accounting records, the Pennsylvania Information Management System (PIMS) summary reports, District school calendars, PDE tuition rates, and the agency placement letters. Our review of this objective did not disclose any reportable issues.

¹³ 24 P.S. § 10-1073(e)(2)(v).

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

- ✓ 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?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 10 of the 37 bus drivers and also randomly selected 2 of the 5 bus driver aides employed by the District bus contractor and transporting District students from July 1, 2012 through January 19, 2018.¹⁶ We reviewed documentation to ensure the District complied with the requirements for bus drivers and if proper clearances were in place for the aides tested. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if the procedures would ensure, when followed, compliance with requirements. Our review of this objective did not disclose any reportable issues.

- ✓ 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 safe schools reports. We also conducted onsite reviews at three of the District's four school buildings (one from each education level), to assess whether the District had implemented basic safety practice. 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 and, if deemed necessary other appropriate agencies.

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.

¹⁷ 24 P.S. § 13-1301-A *et seq.*

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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