

PERFORMANCE AUDIT

McKeesport Area School District Allegheny County, Pennsylvania

November 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Mark Holtzman, Superintendent
McKeesport Area School District
3590 O'Neil Boulevard
Mc Keesport, Pennsylvania 15132

Mr. Dennis Lopretto, Board President
McKeesport Area School District
3590 O'Neil Boulevard
Mc Keesport, Pennsylvania 15132

Dear Dr. Holtzman and Mr. Lopretto:

We have conducted a performance audit of the McKeesport Area 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
- Administrator Separations
- Bus Driver Requirements

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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

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

- The District Failed to Retain Required Documentation to Support the Over \$779,000 Received in Commonwealth-paid Tuition for Educating Nonresident Students

Dr. Mark Holtzman
Mr. Dennis Lopretto
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We appreciate the District's cooperation during the course of the audit.

Sincerely,

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

Eugene A. DePasquale
Auditor General

November 19, 2019

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

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Background Information

School Characteristics 2018-19 School Year ^A	
County	Allegheny
Total Square Miles	7
Number of School Buildings	4 ^B
Total Teachers	253
Total Full or Part-Time Support Staff	189
Total Administrators	26
Total Enrollment for Most Recent School Year	3,297
Intermediate Unit Number	3
District Vo-Tech School	McKeesport Area Technology Center

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

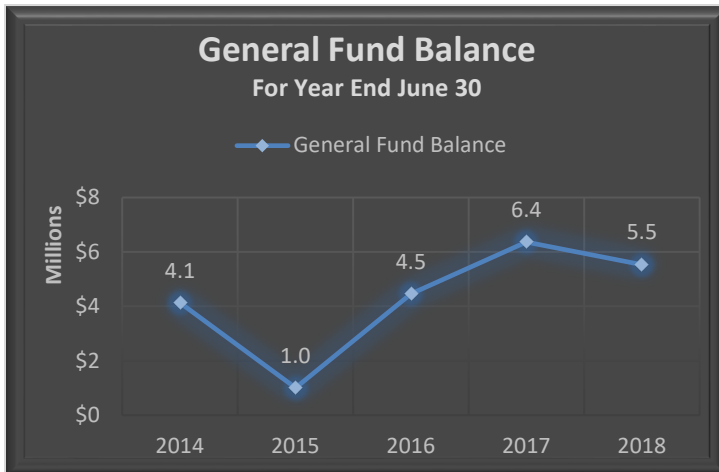
B - Francis McClure Intermediate School and Francis McClure Primary School are two academic reporting entities housed in one building. Twin River Intermediate School and Twin Primary School are also two academic reporting entities housed in one building.

Mission Statement^A

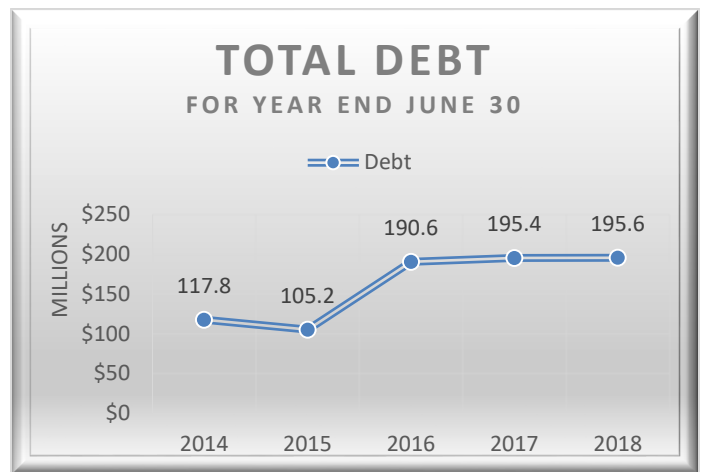
MASD is a community partner dedicated to motivate and inspire every child, every day.

Financial Information

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

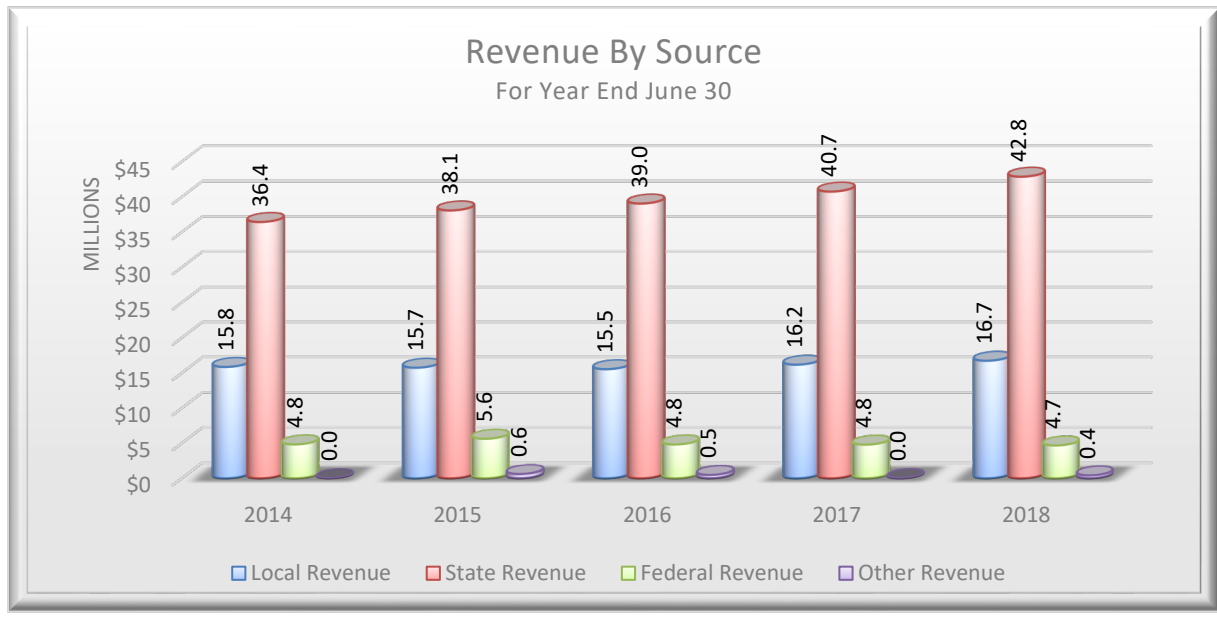
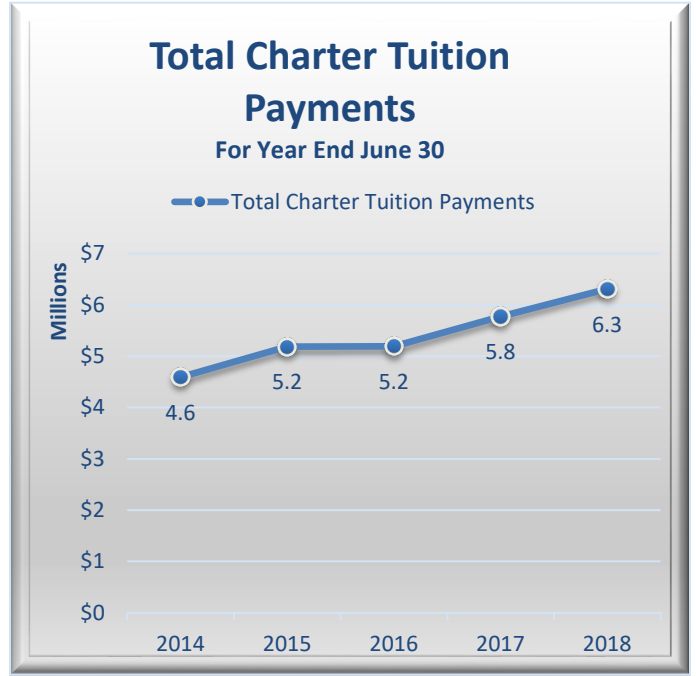
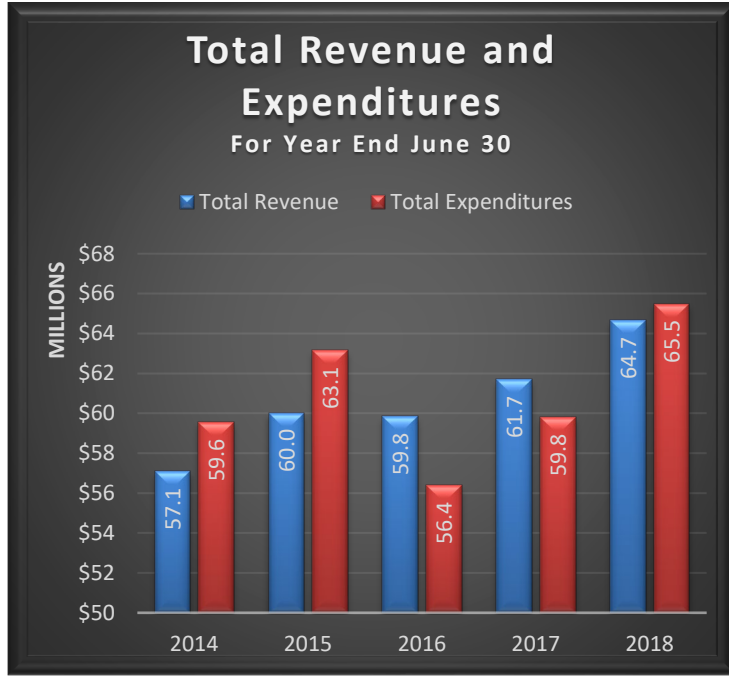


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued

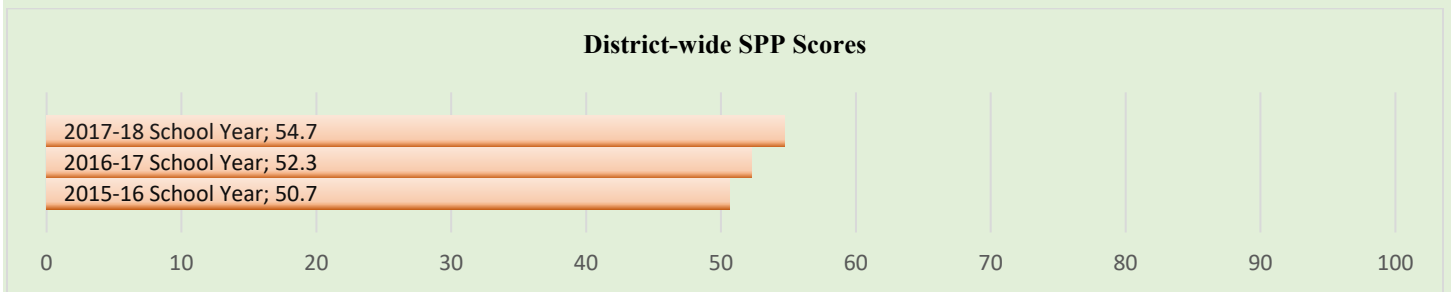


Academic Information

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2015-16, 2016-17, and 2017-18 school years.¹ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score annually using a 0-100 scale for all school buildings in the Commonwealth, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.³



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

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

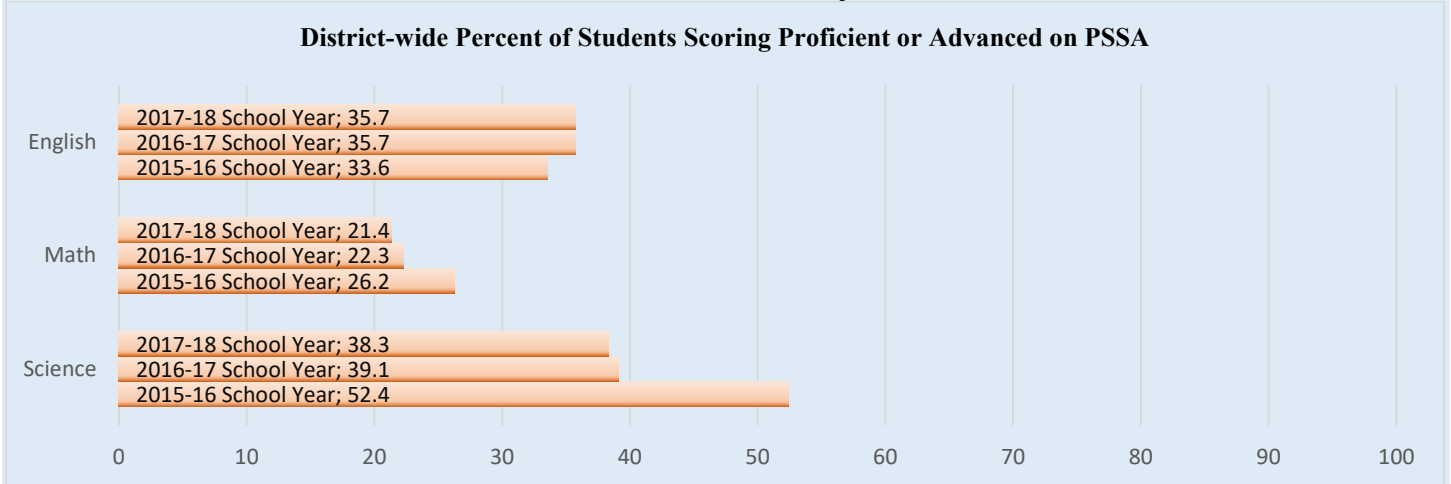
³ PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE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

Academic Information Continued

What is the PSSA?

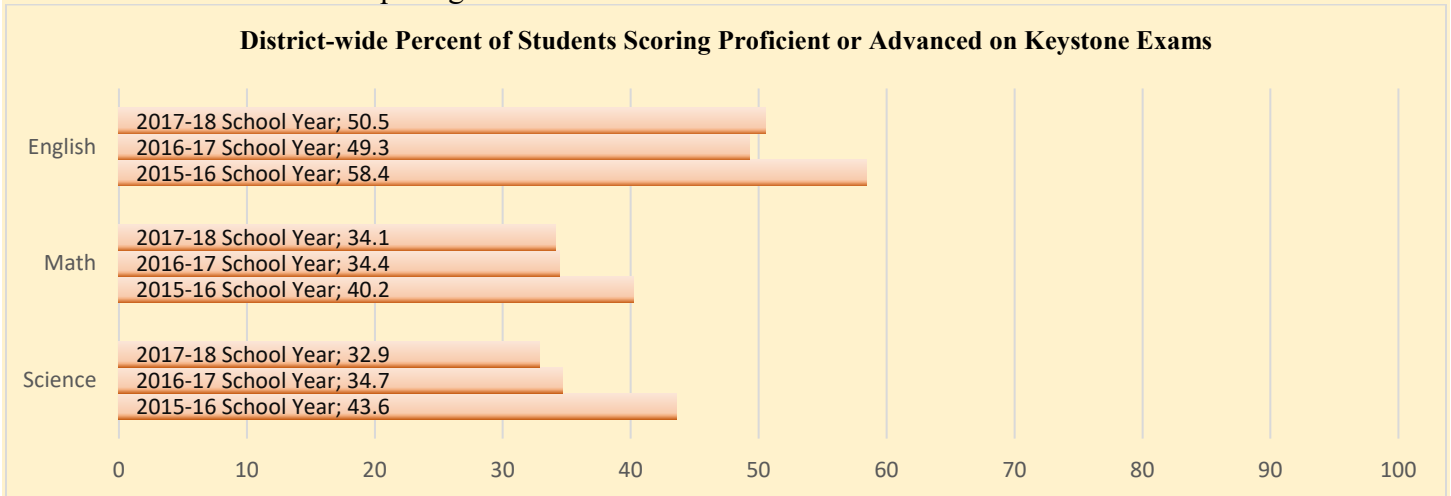
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

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



What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.⁴ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

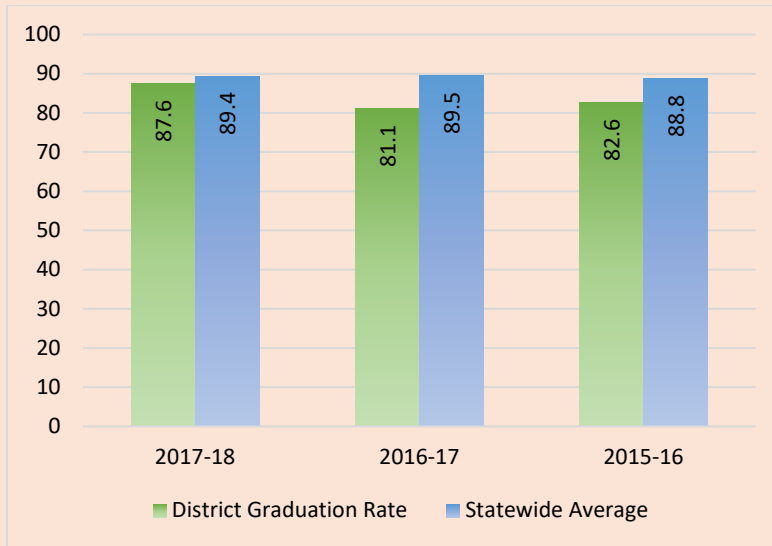


⁴ Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. See 24 P.S. § 1-121(b)(1).

Academic Information Continued

What is a 4-Year Cohort Graduation Rate?

PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph below.⁵



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

Finding

Finding

The District Failed to Retain Required Documentation to Support the Over \$779,000 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 McKeesport Area 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 \$779,182 in Commonwealth-paid tuition for educating nonresident students during the 2014-15 through 2017-18 school years. 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 through 2017-18 school years.

As discussed in our criteria box, 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.⁶ Additionally, the resident must be compensated for the 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 foster students to the Pennsylvania Department of Education (PDE). The McKeesport Area School District was unable to produce the documentation required to support the number of nonresident students reported to PDE. Without this critical documentation, we were unable to verify the accuracy of the tuition received by the District.

⁶ 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.

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).

The table below illustrates the amount of Commonwealth-paid tuition the District received for each of the audit periods.

School Year	Commonwealth-paid Tuition Received ⁷
2014-15	\$150,937
2015-16	\$170,521
2016-17	\$266,488
2017-18	\$191,236
Totals	\$779,182

The District was unable to produce a list of foster students reported to PDE during the 2014-15 through 2017-18 school years. The District’s inability to identify its foster students reported to PDE precluded us from determining if these students met the requirements to have their tuition paid by the Commonwealth. As a result, we were unable to determine the accuracy of the \$779,182 in Commonwealth-paid tuition received by the District during the audit period. In addition to the District not being able to provide the information it was required to maintain pursuant to the PSC, it also lacked procedures related to assuring the proper review and reporting of nonresident students to PDE.

District officials attributed the inability to identify the foster students reported to PDE during the audit period to the District changing child accounting software systems in the 2018-19 school year. The District did not retain the list of foster students reported to PDE prior to the 2018-19 school year and was unable to obtain this information from its prior software system.

Recommendations

The *McKeesport Area School District* should:

1. Ensure that all required supporting documentation is maintained and retained from the District’s Student Information System (SIS) for all nonresident students reported to PDE as educated by the District.
2. Ensure that record retention procedures, including locations, are documented and staff are trained on the procedures.

⁷ Commonwealth-paid 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.

Management Response

District management provided the following response:

“The SIS (iPass) data for the 2016-17 school year was not available due to the fact that the program had many limitations and this was a limitation. The SIS (iPass) provided the raw student data that was exported to the Pennsylvania Information Management System (PIMS), but the SIS (iPass) did not provide summary reports. The district used the summary reports provided by PIMS Cognos. Due to this limitation and other limitations, the district replaced the SIS (IPass) in 2018-2019 with a new SIS (Pro-Soft) and are currently again changing the SIS to Skyward for the 2019-2020 school year. Due to a strained relationship at the end of the contract with both iPass and Prosoft the district cannot contact the vendor to obtain guidance on whether or not the reports could be produced within the SIS.

“The school district has physical copies of the final reports from PIMS Cognos that were produced from the data obtained from the SIS, however no physical copies of final reports from the prior SIS software vendor were available for audit due to the reasons stated above.

“The corrective action taken was the replacement of the SIS by the McKeesport Area School District.”

Auditor Conclusion

As a state auditing agency, it is extremely concerning to us that the District did not have the necessary and legally required documents available for audit. It is also concerning that the District was unable to obtain student data from its previous vendors since it is the District’s information and not each vendor’s information.

It is important for the District to comply with the PSC and retain documentation to support the nonresident student data submitted to PDE. Periodic auditing of the District’s data from an outside agency like the Pennsylvania Department of the Auditor General is essential for District accountability and to ensure that the use of taxpayers’ funds is done with accuracy, transparency, and accountability.

We are encouraged that the District believes the replacement of its SIS will correct the errors we identified in this finding. We strongly suggest that the District ensure that it is able to produce the necessary reports for our next audit of the District.

Status of Prior Audit Findings and Observations

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

Appendix A: Audit Scope, Objectives, and Methodology

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

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

Scope

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

The McKeesport Area School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).⁹ In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

⁸ 72 P.S. §§ 402 and 403.

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

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 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
- ❖ Administrator Separations
- ❖ Bus Driver Requirements
- ❖ School Safety

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁰
 - ✓ To address this objective, we attempted to review the nonresident foster students reported to PDE as educated by the District for the 2014-15 through 2017-18 school years. We attempted to obtain documentation to verify that the custodial parent or guardian was not a resident of the District and the foster parents received a stipend for caring for the student. The District was unable to produce the requested documentation from their Student Information System required to support the number of nonresident students reported to PDE. See finding on page 6 of this report for the results of our review for this objective.
- 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 Code¹¹ and Public School Employees' Retirement System (PSERS) guidelines?
 - ✓ To address this objective, we reviewed the contracts, settlement agreements, board meeting minutes, and payroll records for the three individually contracted administrators who separated employment from the District during the period July 1, 2014 through June 30, 2018. 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 disclose any reportable issues.

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

¹¹ 24 P.S. § 10-1073(e)(v).

- Did the District ensure that all bus drivers transporting District students are Board approved and had the required driver’s license, physical exam, training, background checks, and clearances¹² as outlined in applicable laws?¹³ Also, did the District monitor the ongoing five-year clearance requirements and ensure updated license/physical requirements are maintained and monitored throughout the school year?
 - ✓ To address this objective, we randomly selected 10 of the 69 bus drivers transporting District students as of June 30, 2019.¹⁴ We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had monitoring procedures to ensure that all drivers had updated clearance, licenses, and physicals. Our review of this objective did not disclose any reportable issues.

- Did the District take actions to ensure it provided a safe school environment?¹⁵
 - ✓ 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.¹⁶ 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.

¹² Auditors reviewed the required state, federal and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

¹³ 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*.

¹⁴ 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.

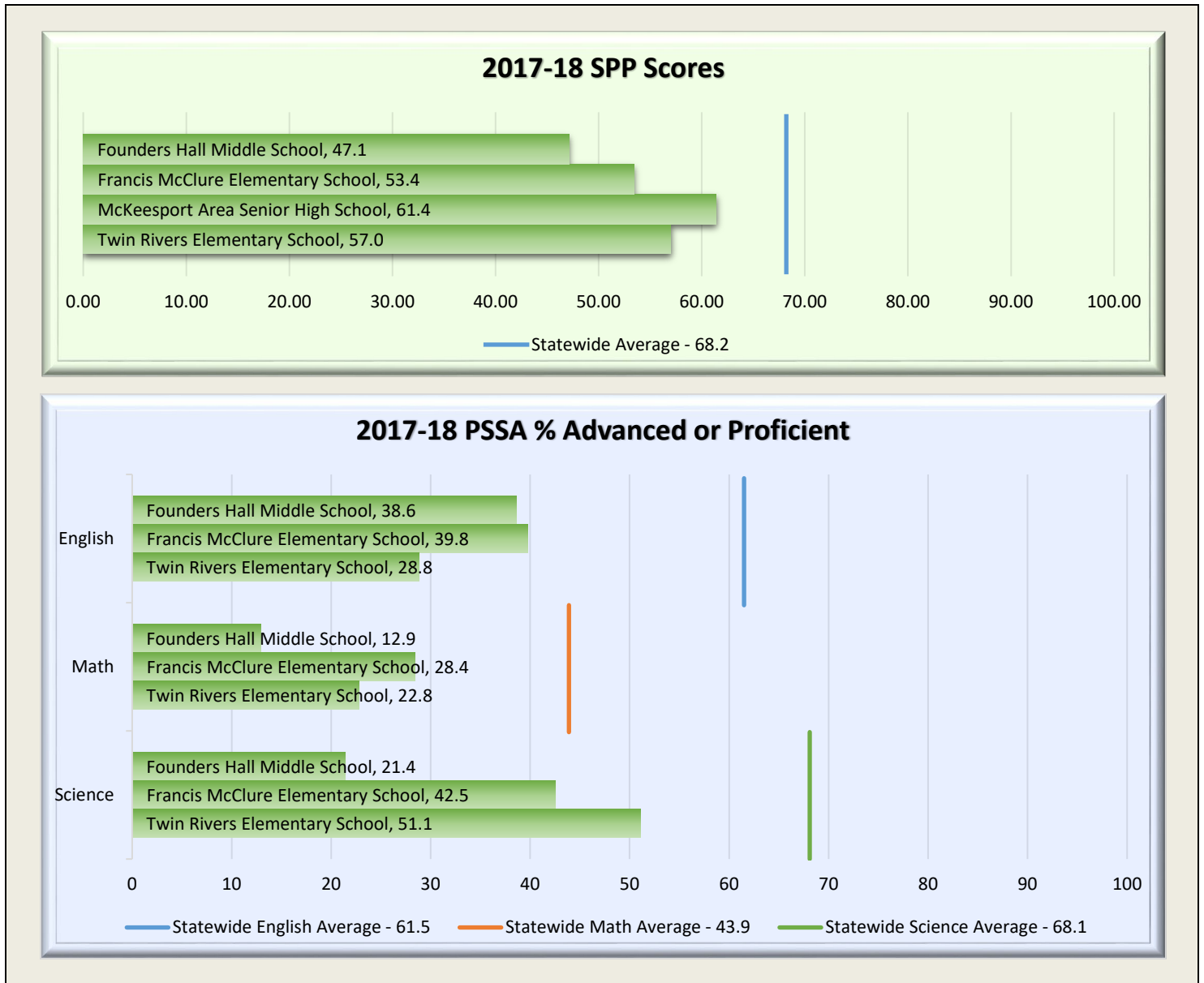
¹⁵ 24 P.S. § 13-1301-A *et seq.*

¹⁶ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

Appendix B: Academic Detail

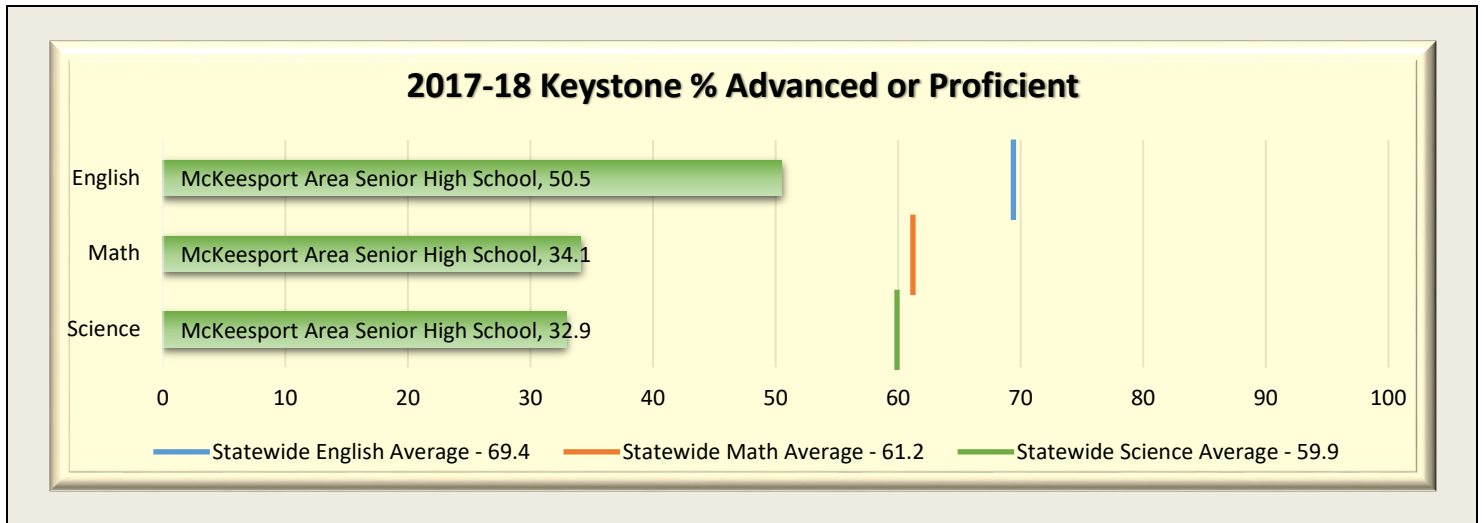
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.¹⁷

2017-18 Academic Data School Scores Compared to Statewide Averages



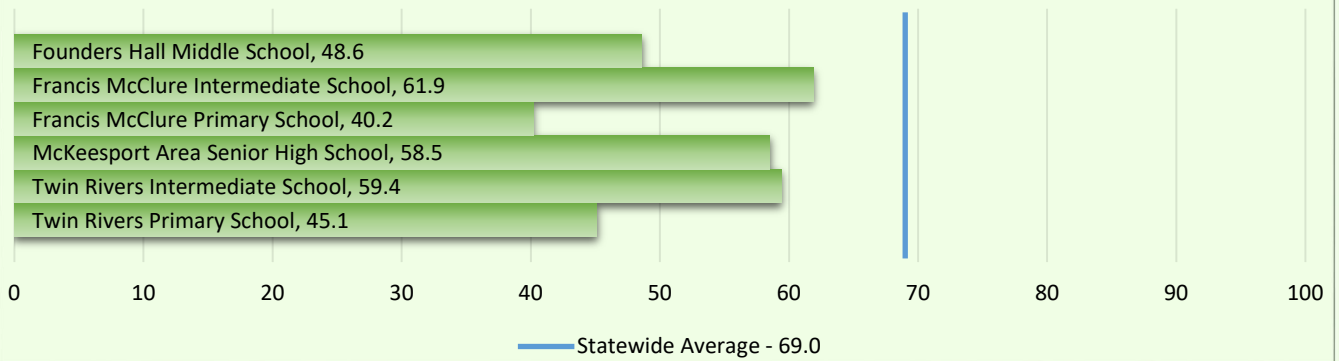
¹⁷ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

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

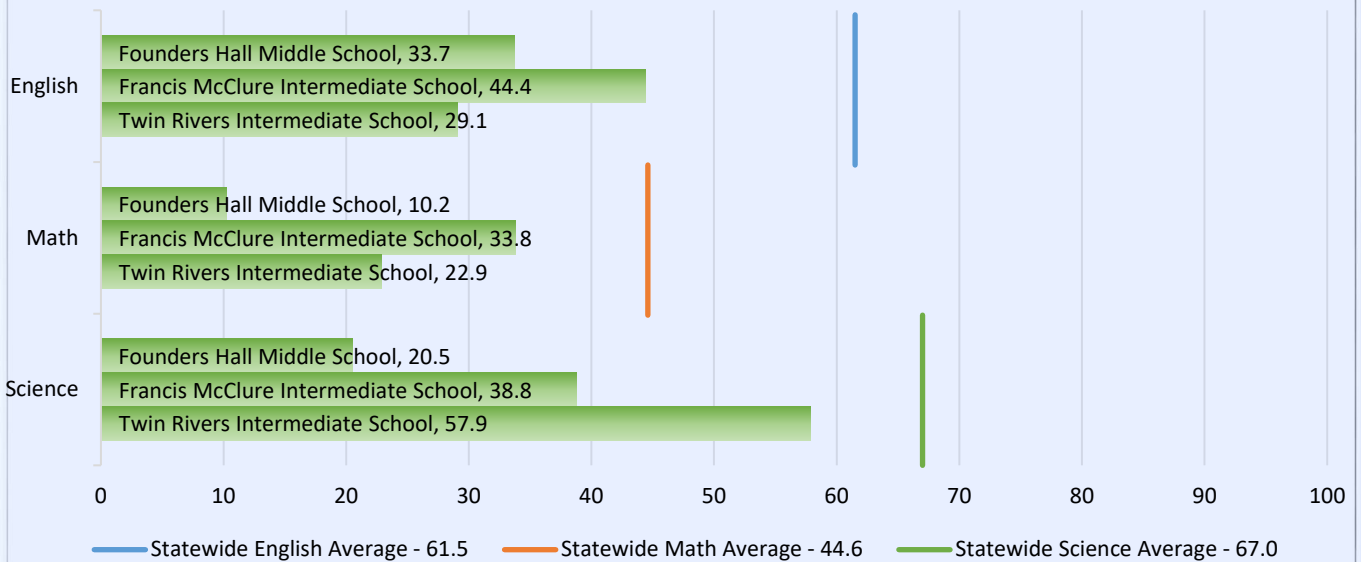


2016-17 Academic Data
School Scores Compared to Statewide Averages

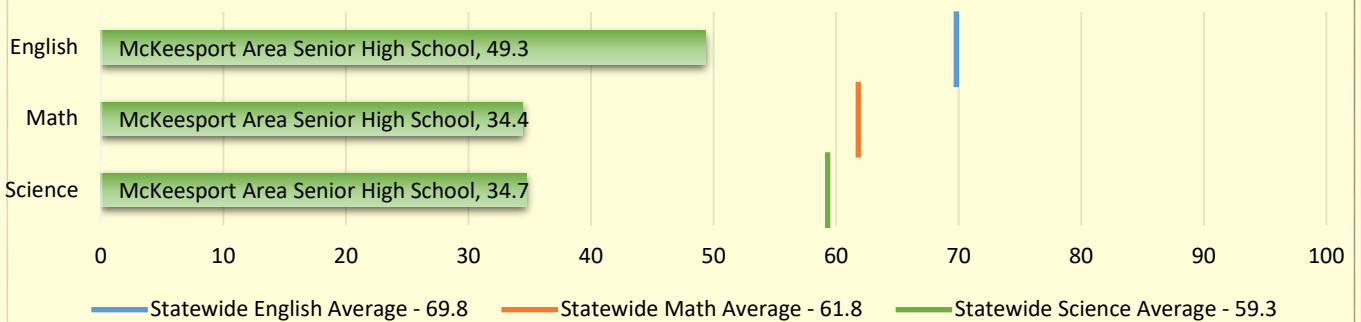
2016-17 SPP Scores



2016-17 PSSA % Advanced or Proficient

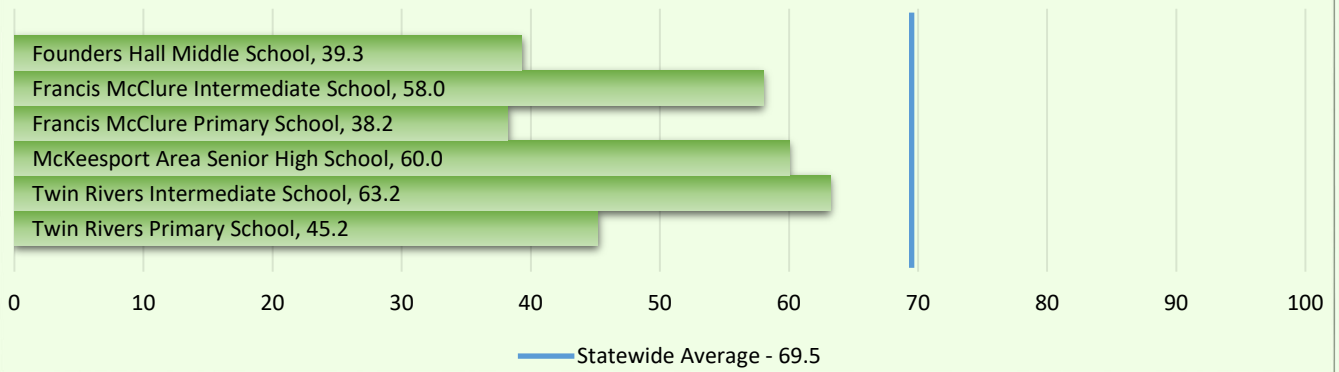


2016-17 Keystone % Advanced or Proficient

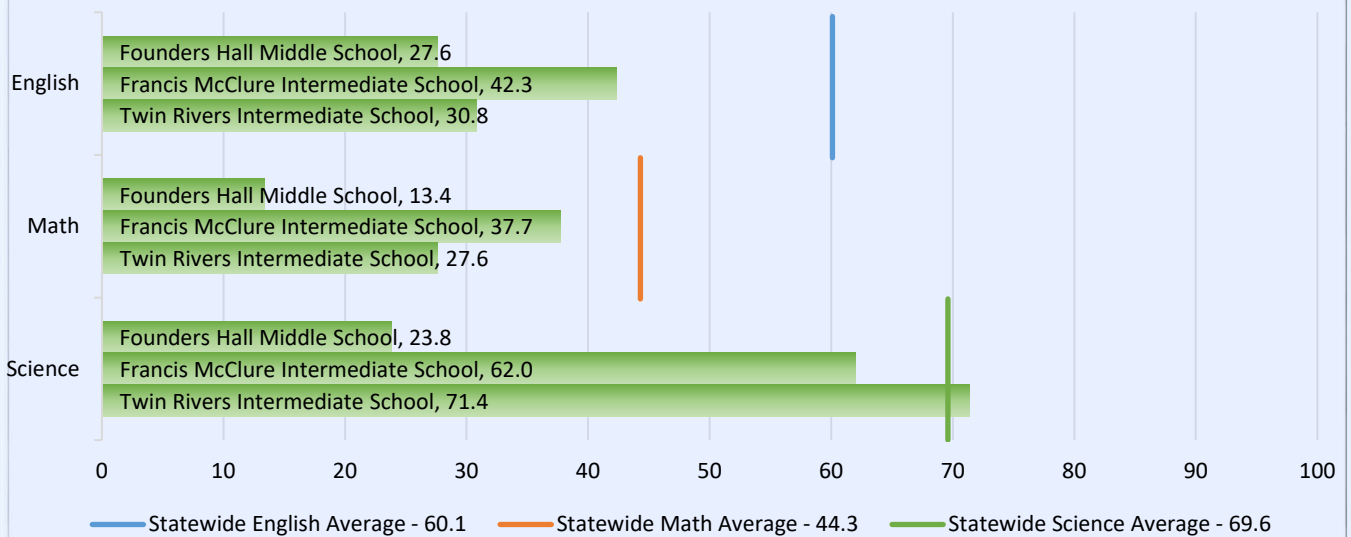


2015-16 Academic Data
School Scores Compared to Statewide Averages

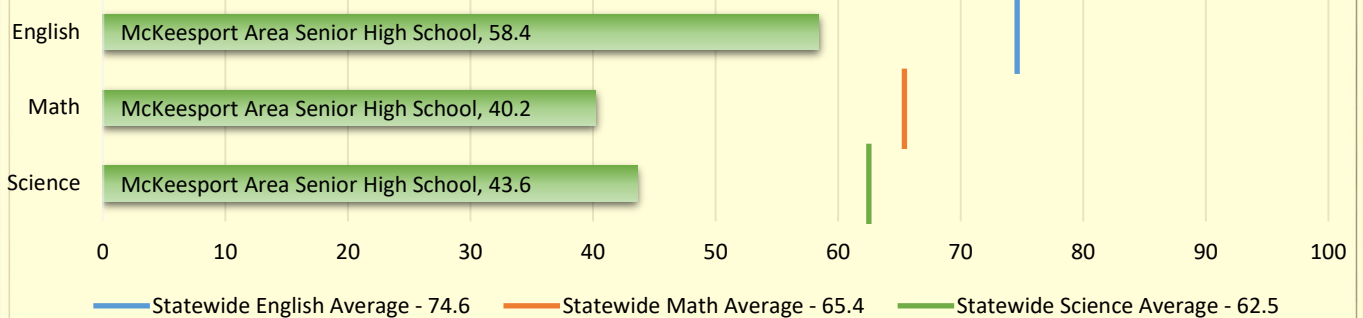
2015-16 SPP Scores



2015-16 PSSA % Advanced or Proficient



2015-16 Keystone % Advanced or Proficient



Distribution List

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

The Honorable Tom W. Wolf

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