

# PERFORMANCE AUDIT

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## Penns Valley Area School District Centre County, Pennsylvania

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April 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Dr. Brian K. Griffith, Superintendent  
Penns Valley Area School District  
4528 Penns Valley Road  
Spring Mills, Pennsylvania 16875

Mr. Darren Narber, Board President  
Penns Valley Area School District  
4528 Penns Valley Road  
Spring Mills, Pennsylvania 16875

Dear Dr. Griffith and Mr. Narber:

We have conducted a performance audit of the Penns Valley Area School District (District) for the period July 1, 2015 through June 30, 2019, 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 Appendix A of this report:

- Transportation Operations
- Bus Driver Requirements
- Administrator Separations
- Social Security Reimbursements
- Construction Projects Reimbursements

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 full results in this report. However, we communicated the full 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 identified areas of noncompliance and significant internal control deficiencies in the transportation operations of the District and those deficiencies are detailed in the finding in this report titled:

**The District's Failure to Implement an Internal Control System Resulted in a \$45,430 Overpayment and an Unauditable \$3.6 Million in Transportation Reimbursements**

In addition, our audit identified internal control deficiencies in the areas of bus driver requirements, social security reimbursements, and construction projects reimbursements that were not significant but warranted the attention of District management and those charged with governance. Those deficiencies were verbally communicated to District management and those charged with governance for their consideration.

Dr. Brian K. Griffith

Mr. Darren Narber

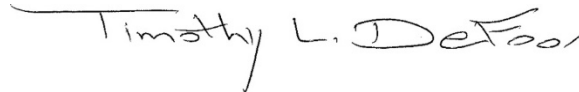
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Our audit finding and recommendations have been discussed with the District's management and those charged with governance, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and relevant requirements.

We also found that the District performed adequately in the area of administrator separations and no significant internal control deficiencies were identified.

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

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first name.

Timothy L. DeFoor  
Auditor General

April 2, 2021

cc: **PENNS VALLEY AREA SCHOOL DISTRICT** Board of School Directors

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## Background Information

| School Characteristics<br>2020-21 School Year* |  |
|--|--|
| County   | Centre   |
| Total Square Miles                             | 254  |
| Number of School Buildings                     | 4  |
| Total Teachers                                 | 110  |
| Total Full or Part-Time Support Staff          | 77   |
| Total Administrators                           | 11   |
| Total Enrollment for Most Recent School Year   | 1,391  |
| Intermediate Unit Number                       | 10   |
| District Career and Technical School           | Central Pennsylvania Institute of Science and Technology |

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

## Mission Statement\*

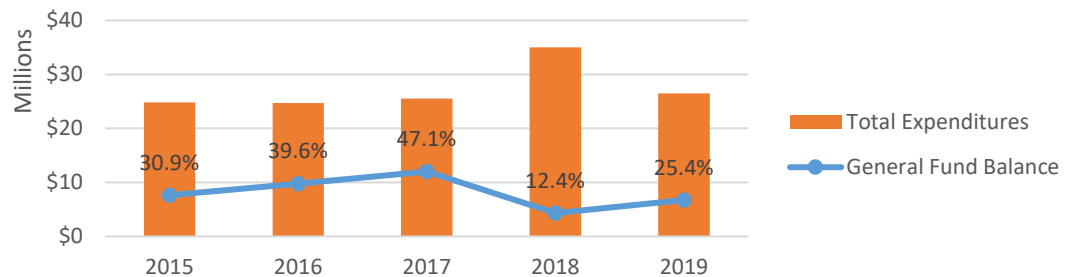
Empowering our students every day to reach individual success.

## Financial Information

The following pages contain financial information about the Penns Valley Area School 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**.

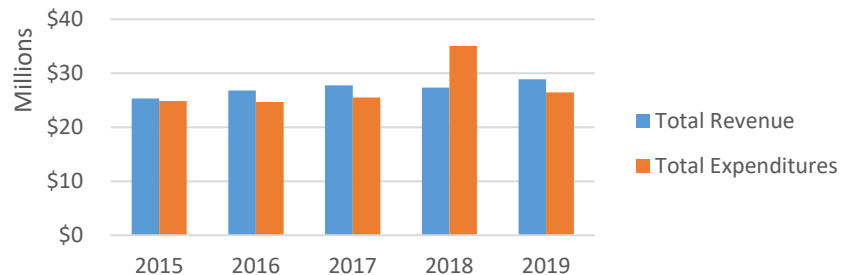
### General Fund Balance as a Percentage of Total Expenditures

|      | General Fund Balance |
|------|----------------------|
| 2015 | \$7,669,468          |
| 2016 | \$9,781,623          |
| 2017 | \$12,017,641         |
| 2018 | \$4,329,332          |
| 2019 | \$6,728,853          |



### Revenues and Expenditures

|      | Total Revenue | Total Expenditures |
|------|---------------|--------------------|
| 2015 | \$25,343,706  | \$24,845,322       |
| 2016 | \$26,808,830  | \$24,696,675       |
| 2017 | \$27,746,995  | \$25,510,977       |
| 2018 | \$27,338,455  | \$35,026,766       |
| 2019 | \$28,877,940  | \$26,478,419       |

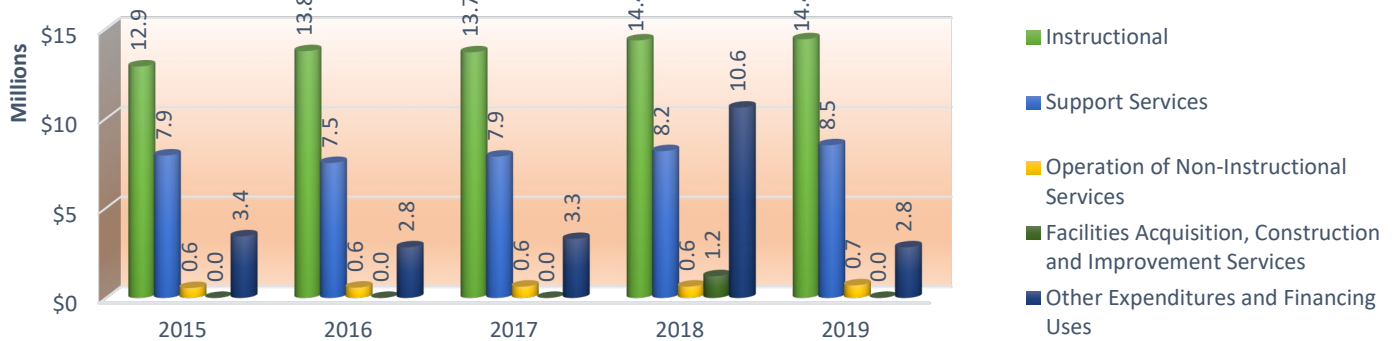


## Financial Information Continued

### Revenues by Source

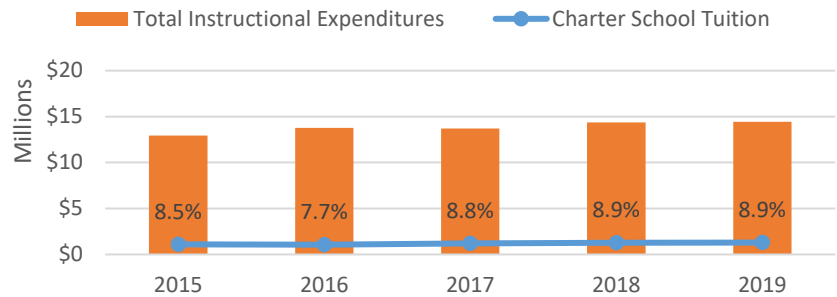


### Expenditures by Function

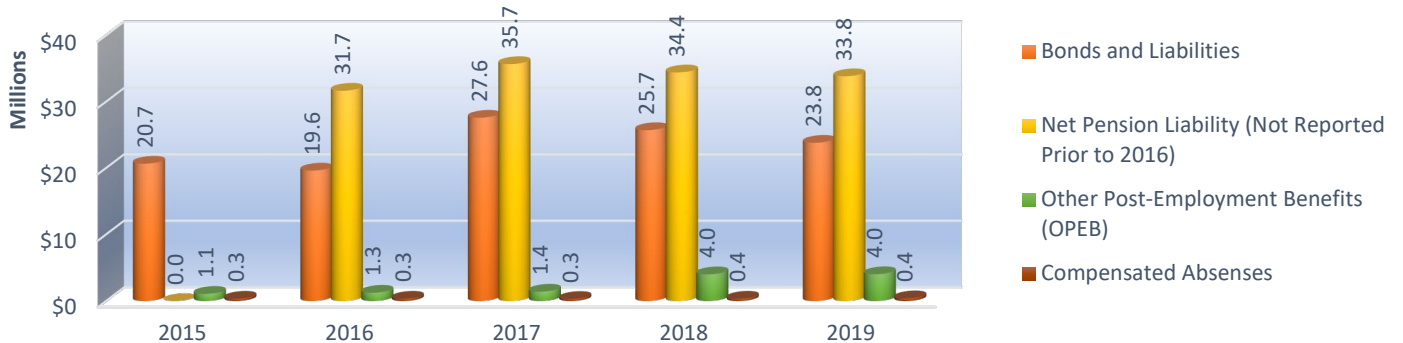


### Charter Tuition as a Percentage of Instructional Expenditures

|      | Charter School Tuition | Total Instructional Expenditures |
|------|------------------------|----------------------------------|
| 2015 | \$1,092,299            | \$12,920,073                     |
| 2016 | \$1,061,410            | \$13,776,982                     |
| 2017 | \$1,208,097            | \$13,711,130                     |
| 2018 | \$1,277,784            | \$14,374,429                     |
| 2019 | \$1,291,537            | \$14,440,966                     |



### Long-Term Debt

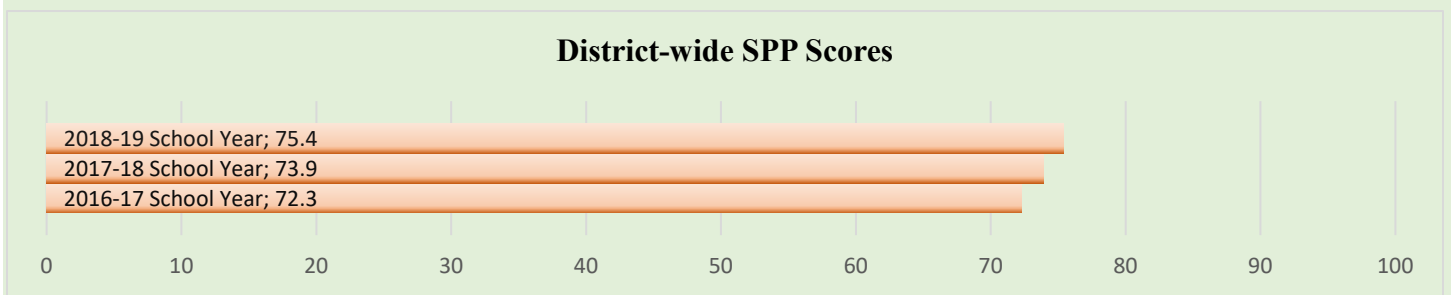


## Academic Information

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 2016-17, 2017-18, and 2018-19 school years.<sup>1</sup> 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.

### 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.<sup>2</sup>



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

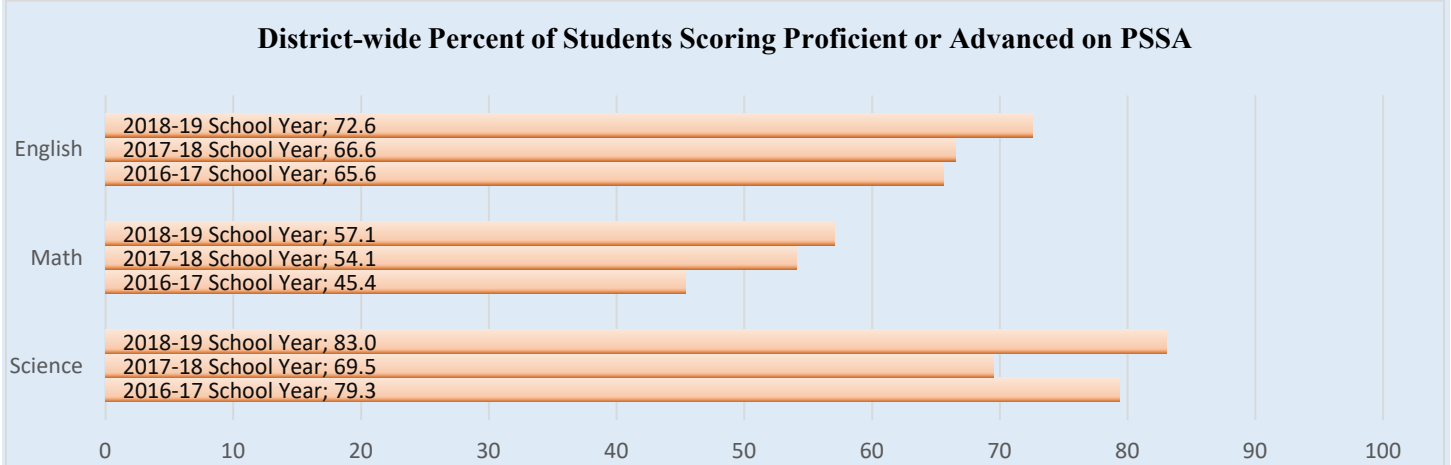
<sup>2</sup> PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

## Academic Information Continued

### What is the PSSA?

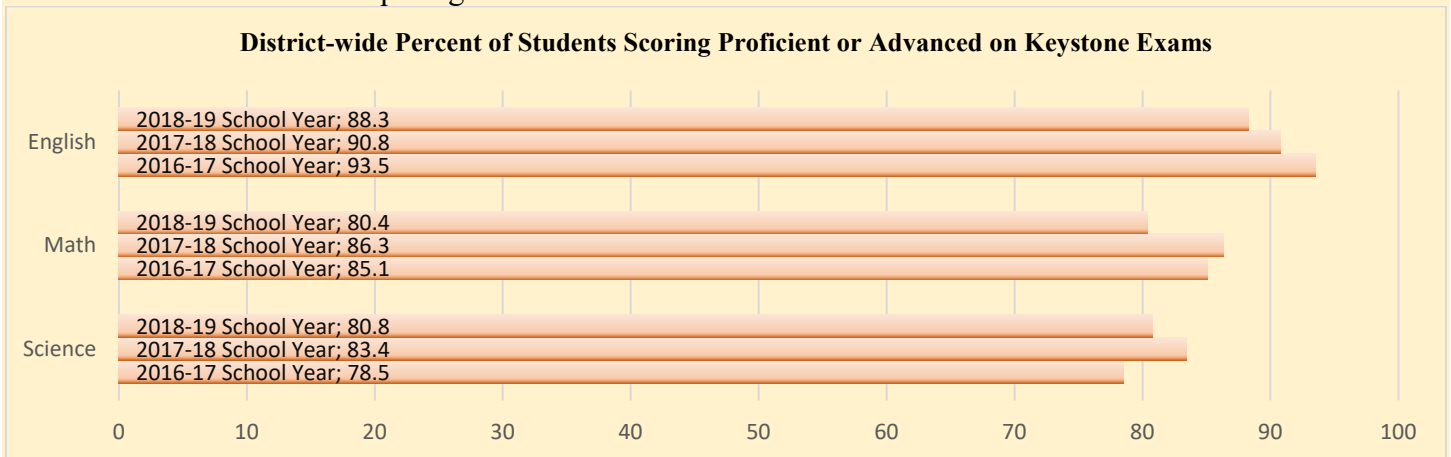
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.<sup>3</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.



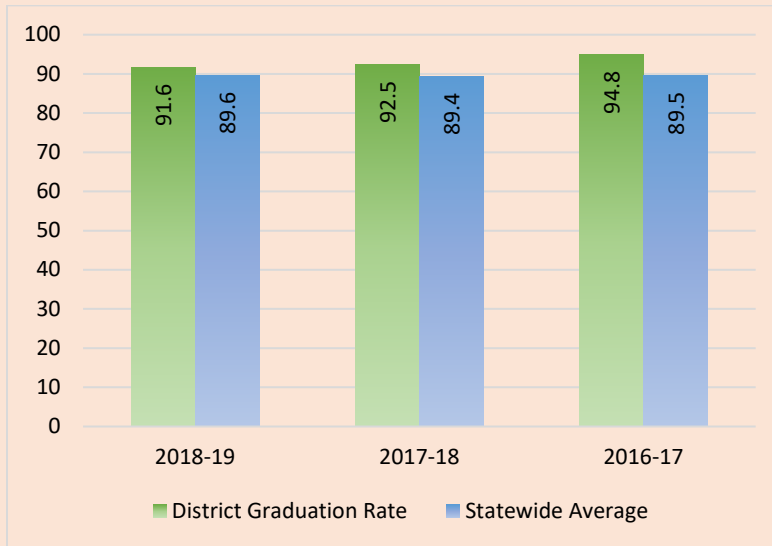
<sup>3</sup> Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) on Keystone end-of-course exams (Keystone Exams) in the context of the pandemic of 2020: <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/Pages/Keystone-Exams.aspx>



## 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.<sup>4</sup>



<sup>4</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>

## Findings

### Finding

### The District's Failure to Implement an Internal Control System Resulted in a \$45,430 Overpayment and an Unauditable \$3.6 Million in Transportation Reimbursements

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

#### **Student Transportation Subsidy**

Section 2541(a) of the Public School Code (PSC) states, in part: "School districts shall be paid by the commonwealth for every school year on account of pupil transportation which... have been approved by the Department of Education... an amount to be determined by multiplying the cost of approved reimbursable pupils transportation incurred by the district by the district's aid ratio.

In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes..." See 24 P.S. § 25-2541(a).

We found that the Penns Valley Area School District (District) did not implement an adequate internal control system over the input, calculation, and reporting of regular and supplemental transportation data. Consequently, the District inaccurately reported the number of nonpublic and charter school students it transported during the 2015-16 through 2018-19 school years, which resulted in the District receiving a \$45,430 overpayment in supplemental transportation reimbursements. Additionally, the District failed to retain documentation to support the more than \$3.6 million in regular transportation reimbursements it received for the 2015-16 through 2018-19 school years, and therefore, we could not audit the reported data and determine the accuracy of those reimbursements.

**Background:** School districts receive two separate transportation reimbursement payments from the Pennsylvania Department of Education (PDE). The **regular** transportation reimbursement is broadly based on the number of students transported, the number of days each vehicle was used for transporting students, and the number of miles that vehicles are in service, both with and without students. The **supplemental** transportation reimbursement is based on the number of nonpublic school and charter school students transported. The errors and lack of documentation identified in this finding pertain to both the District's regular and supplemental transportation reimbursements.

Since the above listed components are integral to the calculation of the District's transportation reimbursements, it is essential for the District to properly identify students that it transports, maintain records for these students, and accurately report this data to PDE. The District must also obtain and retain this data in accordance with the requirements of the Public School Code (PSC) (see the criteria box). Therefore, the District should have a strong system of internal control over its regular and supplemental transportation operations that should include, but not be limited to, the following:

- Segregation of duties
- Written procedures
- Training on PDE reporting requirements

*Criteria relevant to the finding (continued):*

**Sworn Statement and Annual Filing Requirements**

Section 2543 of the PSC, which is entitled, “**Sworn statement** of amount expended for reimbursable transportation; payment; withholding” of the PSC states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Pennsylvania Department of Education (PDE) may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphases added.) *See* 24 P.S. § 25-2543.

It is also important to note that the PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for transportation reimbursements.<sup>5</sup> The sworn statement includes the superintendent’s signature attesting to the accuracy of the reported data. Because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide it with the confidence it needs to sign the sworn statement.

**Supplemental Transportation Reporting Errors**

The PSC requires school districts to provide transportation services to students who reside in its district and who attend a charter school or nonpublic school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.<sup>6</sup> This reimbursement was made applicable to the transportation of charter school students pursuant to an equivalent provision in the Charter School Law.<sup>7</sup>

We reviewed the charter and nonpublic school student transportation data that the District reported to PDE and found that the District overreported the number of nonpublic school and charter school students it transported for each year of the four-year audit period. The reporting errors are detailed in Table No. 1 below.

**Table No. 1**

| <b>Penns Valley Area School District<br/>Supplemental Transportation Reporting Errors</b> |  |  |                       |
|---|--|--|-----------------------|
|   | <b>(A)</b>   | <b>(B)</b>   | <b>((A+B)* \$385)</b> |
| <b>School Year</b>  | <b>Nonpublic School Students Overreported to PDE</b> | <b>Charter School Students Overreported to PDE</b> | <b>Overpayment</b>    |
| <b>2015-16</b>  | 9  | 18   | \$10,395              |
| <b>2016-17</b>  | 7  | 23   | \$11,550              |
| <b>2017-18</b>  | 6  | 28   | \$13,090              |
| <b>2018-19</b>  | 10   | 17   | \$10,395              |
| <b>Total</b>  | <b>32</b>  | <b>86</b>  | <b>\$45,430</b>       |

<sup>5</sup> *See* 24 P.S. § 25-2543.

<sup>6</sup> According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements. *See* Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

<sup>7</sup> *See* 24 P.S. § 17-1726-A(a) which refers to 24 P.S. § 25-2509.3. A charter school is an independent public school and educates public school students within the applicable school district. *See* 24 P.S. § 17-1703-A (relating to “Definitions”).

*Criteria relevant to the finding  
(continued):*

**Supplemental Transportation Subsidy for Nonpublic and Public Charter Students**

Section 1361(a) of the PSC requires school districts to provide free transportation to their students attending a nonpublic school located within the school district or outside the school district not exceeding ten miles by the nearest public highway. These provisions also allows school districts to receive a supplemental, state transportation subsidy of \$385 per nonpublic student pursuant to Section 2509.3 of the PSC. *See* 24 P.S. § 13-1361(a) and 24 P.S. § 25-2509.3.

Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit or parochial school.

**Non-reimbursable Students**

Non-reimbursable students are elementary students who reside within 1.5 miles of their elementary school and secondary students who reside within 2 miles of their secondary school. Non-reimbursable students do not include special education students or students who reside on routes determine by Pennsylvania Department of Transportation (PennDOT) to be hazardous. *See* 24 P.S. § 25-2541(b)(1).

**Hazardous Route Students**

Hazardous students are elementary students who reside within 1.5 miles of their elementary school and secondary students who reside within 2 miles of their secondary school. Hazardous students reside on routes determined by PennDOT to be hazardous. *See* 24 P.S. § 25-2541(c)(1)-(2).

Every school year, the District should obtain a written request to transport each nonpublic and charter school student from the parent/guardian. The District should maintain this documentation as support for the number of students it reports to PDE for the supplemental reimbursement calculation. Without this documentation, the District cannot include these students in its reported total number of students transported. We determined that the District could not provide documentation that it actually transported the 118 students identified in **Table No. 1** as charter or nonpublic students. Therefore, the District overstated this number when it reported the data to PDE, which led to a \$45,430 overpayment.

**More than \$3.6 million in Regular Transportation Reimbursements Unauditable**

In accordance with PDE guidelines, school districts are required to report the number of miles per day, to the nearest tenth, that each vehicle travels with and without students. Districts are also required to report the number of students assigned to each vehicle. If the miles traveled and students assigned to each vehicle changes during the school year, an average must be calculated and reported.

The District relied on its transportation contractor to maintain the mileage readings and student rosters and to calculate these averages. The contractor submitted the final numbers to the District and the District then reported this data to PDE without obtaining and reviewing all of the supporting documentation to ensure the accuracy of the data.<sup>8</sup> After acknowledging that it did not have all of the supporting documentation, District officials attempted to obtain complete documentation from its contractors; however, the contractors did not retain this documentation. Therefore, due to the lack of documentation, we were unable to audit the regular transportation data the District reported to PDE.

Even though we were unable to audit the reported data, a cursory review of the reported data, as detailed in **Table No. 2**, shows potential irregularities that warranted further review. For example, the District reported that it transported less students in 2018-19 than in 2015-16, but used more vehicles and received more total reimbursements.

<sup>8</sup> The District obtained supporting documentation (i.e., vehicle odometer readings and student rosters) from the contractor for only two of the eight months for each school year. The District's practice has been to only review a sample of the supporting documents for accuracy prior to reporting mileage and student data to PDE.

Criteria relevant to the finding  
(continued):

**PDE instructions for Local Education Agencies (LEA) on how to complete the PDE-1049.** The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE. <http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (Accessed on 12/2/20.)

Daily Miles With

Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average.

Daily Miles Without

Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Pupils Assigned

Report the greatest number of pupils assigned to ride this vehicle at any one time during the day. Report the number of pupils assigned to the nearest tenth.

The number cannot exceed the seating capacity. If the number of pupils assigned changed during the year, calculate a weighted average or a sample average.

**Table No. 2**

| Penns Valley Area School District<br>Transportation Data Reported to PDE |   |                             |                              |
|--|---|-----------------------------|------------------------------|
| School Year  | Reported Number of Students Transported | Reported Number of Vehicles | Total Reimbursement Received |
| 2015-16  | 1,589                                   | 39                          | \$ 922,262                   |
| 2016-17  | 1,605                                   | 40                          | \$ 864,706                   |
| 2017-18  | 1,576                                   | 38                          | \$ 938,356                   |
| 2018-19  | 1,542                                   | 41                          | \$ 935,274                   |
| <b>Totals</b>  | <b>6,312</b>                            | <b>158</b>                  | <b>\$3,660,598</b>           |

**Inadequate Training Resulted in Errors in Reporting the Number of Students Eligible for Reimbursement**

Students transported fall into multiple reporting categories including, but not limited to, students transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route and students transported who are not eligible for reimbursement. Elementary students residing within 1.5 miles of their respective school or secondary students residing within 2 miles of their school are not eligible to be reported as reimbursable unless the student resides on a PennDOT determined hazardous walking route.

During our review of the transportation data that the District reported to PDE, we noted that the District reported zero students in the hazardous route and the non-reimbursable categories for all four years of the audit period. Reporting zero students in these categories is very unusual because it would indicate that no students who lived within 1.5 miles of their respective elementary school or within 2 miles of their respective secondary school received transportation from the District. We questioned the District about this reporting and found that the employee responsible for collecting and reporting transportation data was not properly trained on the PDE reporting requirements and did not know that the District had to obtain hazardous walking route determination documentation from PennDOT.

After we brought these discrepancies to the District’s attention, the District contacted PennDOT to obtain the required documentation for the proper classification of its students. The District was able to provide revised counts for the students who lived along approved hazardous routes and students transported who were determined to be ineligible for reimbursement. We found that the District transported between 129 and 161 students during the 2015-16 through 2018-19 school years who lived within 1.5 miles of their respective elementary school or within 2 miles of their respective secondary school. The District reported these students as

reimbursable instead of reporting them as either in the hazardous route category or the non-reimbursable category. We will provide PDE with detailed reports regarding the revisions so PDE can make a determination if adjustments to the District's future regular transportation reimbursements are warranted.

### **Significant Internal Control Deficiencies**

Our review revealed that the District did not have an adequate internal control system over the process of collecting, obtaining, maintaining, reviewing, and reporting regular and supplemental transportation data to PDE. Specifically, we found that the District did not do the following:

- Ensure that the employee responsible for reporting transportation data to PDE was adequately trained on PDE's reporting requirements and the supporting documentation required to be obtained and retained.
- Implement adequate segregation of duties when it assigned responsibility to one employee for reporting transportation data to PDE without ensuring a different employee reviewed the data before it was submitted to PDE.
- Ensure that each nonpublic and charter school student had submitted a request for transportation for each school year prior to reporting the data to PDE for reimbursement.
- Develop detailed written procedures for obtaining and maintaining the documentation needed to accurately report to PDE vehicle data along with the number of nonpublic and charter school students transported.
- Ensure it obtained source documentation from the contractor and reviewed it for completion and accuracy of the calculated averages.

All of the above internal control deficiencies led to the errors and irregularities we discussed in this finding and resulted in our inability to fully audit the regular transportation reimbursements.

Future Reimbursement Adjustment: While we were unable to determine the accuracy of the regular transportation reimbursements, we did provide PDE with reports detailing the reporting errors related to the supplemental transportation reimbursements for the 2015-16 through 2018-19 school years. We recommend that PDE adjust the District's future transportation reimbursements by the \$45,430 that we identified as an overpayment.

### **Recommendations**

The *Penns Valley Area School District* should:

1. Develop and implement an internal control system over its regular and supplemental transportation operations. The internal control system

should include, but not be limited to, the following:

- All personnel involved in inputting, categorizing, calculating, and reporting transportation data are trained on PDE's reporting requirements.
  - A review of transportation data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
  - Clear and concise written procedures are developed to document the transportation data collection, categorization, and reporting process.
2. Ensure that complete supporting documentation for all vehicle data is obtained, reviewed, and retained in accordance with PSC requirements. Record retention procedures should be documented and staff trained on these procedures.
  3. Complete a reconciliation of nonpublic school and charter school students to individual requests for transportation to help ensure accuracy prior to reporting data to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future transportation subsidy to resolve the \$45,430 overpayment for supplemental transportation reimbursement.
5. Determine if further subsidy adjustments are necessary due to the District's inaccurate reporting of students transported in the non-reimbursable and hazardous route categories.

### **Management Response**

The District agreed with our finding and provided the following response:

#### **Response to Recommendation # 1:**

“Management believes that documentation of mileage recorded by the transportation contractors and compared to the District transportation software data, fairly represents the \$3.6 million subsidy reimbursements received by the District. The District utilized the PDE Worksheet for Computing Sample Averages to record the data submitted by the transportation contractors and followed the directions for using the Worksheet on the PDE website. Utilization of the PDE Worksheet for Computing Sample averages and the accompanying instructions do not adequately support daily miles driven to transport student to and from school. Reviews were performed to verify contractor reporting and to verify accuracy of subsequent reporting in the state transportation reporting system however no formal documentation was retained.

Management acknowledges improvements will be implemented to include;

- Transportation personnel will participate in educational sessions provided by the Pennsylvania Association of School Business Officials (PASBO) regarding transportation reporting as available.
- The District will continue its practice of administration review of the data submitted to PDE by the transportation coordinator. This review will include an acknowledgement of the review and a checklist of items reviewed and verification of backup documentation.
- An Administrative Regulation (AR) shall be develop detailing the data collection, document retention, categorization, review, and reporting process. The AR will identify the documents required from contractors, non-public and charter schools, and drivers to accurately track and record mileage and student data used for transportation reporting.”

**Response to Recommendation # 2:**

“Requirements for documentation, retainage of back-up documents for monthly mileage summaries, verification of data, and acknowledgement of reviews shall be included in the Administration Regulation to be developed on transportation reporting.”

**Response to Recommendation # 3:**

“The District has utilized and accepted multiple forms of notification for non-public and charter student transportation, including, written, electronic and verbal notices. The District believes it has other supporting documentation that may justify or further document the transportation services of and reimbursement for non-public and charter students, including private school enrollment forms and charter tuition invoices. The District will amend its practice to retain non-public and charter students on annual bus rosters and will implement an annual affirmative statement and sign-off from the non-public and charter schools. Mid-year requests for transportation additions or deletions by the non-public or charter school will be required in writing or electronic record and retained for review. The Business Manager will review transportation information received from non-public and charter schools and review the data reported on PDE-2089 by the Transportation Coordinator prior to submission to PDE.”

**Auditor Conclusion**

We are pleased to note that the District plans to address all three of our recommendations. We reiterate the importance of the District retaining all documentation that supports the transportation data reported to PDE. We will evaluate the effectiveness of the District’s corrective actions during our next audit.



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

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**O**ur prior audit of the Penns Valley Area School District resulted in no findings or observations.

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

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>9</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.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Transportation Operations, Bus Driver Requirements, Administrator Separations, Social Security Reimbursements, Construction Projects Reimbursements and School Safety, including fire and security drills. The audit objectives supporting these areas of focus are explained in the context of our methodology to achieve the objectives in the next section. Overall, our audit covered the period July 1, 2015 through June 30, 2019. The scope of each individual objective is also detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal control to provide reasonable assurance that the District's objectives will be achieved.<sup>10</sup> *Standards for Internal Control in the Federal Government* (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. The Department of the Auditor General used the Green Book as the internal control analysis framework during the conduct of our audit.<sup>11</sup> The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow in establishing an effective system of internal control. We illustrate the five components and their underlying principles in Figure 1 on the following page.

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<sup>9</sup> 72 P.S. §§ 402 and 403.

<sup>10</sup> District objectives can be broadly classified into one or more of the following areas: effectiveness of operations; reliability of reporting for internal and external use; and compliance with applicable laws and regulations, more specifically in the District, referring to certain relevant state laws, regulations, contracts, and administrative procedures.

<sup>11</sup> Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

**Figure 1: Green Book Hierarchical Framework of Internal Control Standards**

| Principle                  | Description  |
|----------------------------|--|
| <b>Control Environment</b> |  |
| 1                          | Demonstrate commitment to integrity and ethical values |
| 2                          | Exercise oversight responsibility                      |
| 3                          | Establish structure, responsibility, and authority     |
| 4                          | Demonstrate commitment to competence                   |
| 5                          | Enforce accountability                                 |
| <b>Risk Assessment</b>     |  |
| 6                          | Define objectives and risk tolerances                  |
| 7                          | Identify, analyze, and respond to risks                |
| 8                          | Assess fraud risk                                      |
| 9                          | Identify, analyze, and respond to change               |

| Principle                            | Description                                  |
|--------------------------------------|--|
| <b>Control Activities</b>            |  |
| 10                                   | Design control activities                    |
| 11                                   | Design activities for the information system |
| 12                                   | Implement control activities                 |
| <b>Information and Communication</b> |  |
| 13                                   | Use quality information                      |
| 14                                   | Communicate internally                       |
| 15                                   | Communicate externally                       |
| <b>Monitoring</b>                    |  |
| 16                                   | Perform monitoring activities                |
| 17                                   | Evaluate issues and remediate deficiencies   |

In compliance with generally accepted government auditing standards, we must determine whether internal control is significant to our audit objectives. We base our determination of significance on whether an entity’s internal control impacts our audit conclusion(s). If some, but not all, internal control components are significant to the audit objectives, we must identify those internal control components and underlying principles that are significant to the audit objectives.

In planning our audit, we obtained a general understanding of the District’s control environment. In performing our audit, we obtained an understanding of the District’s internal control sufficient to identify and assess the internal control significant within the context of the audit objectives. Figure 2 represents a summary of the internal control components and underlying principles that we identified as significant to the overall control environment and the specific audit objectives (denoted by an “X”).

**Figure 2 – Internal Control Components and Principles Identified as Significant**

| Principle →                        | Internal Control Significant? | Control Environment |   |   |   |   | Risk Assessment |   |   |   |    | Control Activities |    |    | Information and Communication |    |    | Monitoring |  |
|------------------------------------|-------------------------------|---------------------|---|---|---|---|-----------------|---|---|---|----|--------------------|----|----|-------------------------------|----|----|------------|--|
|                                    |                               | 1                   | 2 | 3 | 4 | 5 | 6               | 7 | 8 | 9 | 10 | 11                 | 12 | 13 | 14                            | 15 | 16 | 17         |  |
| General/overall                    | Yes                           | X                   | X | X | X | X | X               | X | X | X | X  | X                  | X  | X  | X                             | X  |    | X          |  |
| Transportation                     | Yes                           |                     |   |   | X |   |                 | X | X |   | X  |                    | X  | X  | X                             | X  | X  |            |  |
| Bus Drivers                        | Yes                           |                     |   |   |   |   |                 |   |   |   | X  |                    | X  |    |                               | X  | X  |            |  |
| Administrator Separations          | Yes                           |                     |   |   |   |   |                 |   |   |   | X  |                    |    | X  |                               |    |    |            |  |
| Social Security Reimbursement      | Yes                           |                     |   |   |   |   |                 |   |   |   | X  |                    | X  | X  | X                             | X  | X  |            |  |
| Construction Project Reimbursement | Yes                           |                     |   |   |   |   |                 |   |   |   | X  |                    | X  | X  | X                             | X  | X  |            |  |
| Safe Schools                       | No                            |                     |   |   |   |   |                 |   |   |   |    |                    |    |    |                               |    |    |            |  |

With respect to the principles identified, we evaluated the internal control(s) deemed significant within the context of our audit objectives and assessed those controls to the extent necessary to address our audit objectives. The results of our evaluation and assessment of the District's internal control for each objective is discussed in the following section.

## **Objectives/Scope/Methodology**

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2015 through June 30, 2019 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. 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 effectiveness in four areas as described below. As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives.

### **Transportation Operations**

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?<sup>12</sup>
  - ✓ To address this objective, we assessed the District's internal controls for obtaining, processing, and reporting transportation data to PDE. We randomly selected 10 of 39 vehicles used to transport District students during the 2015-16 school year and 10 of 40 vehicles used during the 2018-19 school year for detailed testing. However, the District could not provide the required supporting documentation needed to verify the accuracy of mileage and student data reported to PDE for the 20 vehicles selected as well as the supporting documentation for the other 59 vehicles reported for the 2015-16 and 2018-19 school years. We subsequently requested the supporting documentation for all vehicles reported to PDE for the 2016-17 and 2017-18 school years.<sup>13</sup> The District did not maintain the required supporting documentation for all vehicles requested for all years. Therefore, we were unable to determine the accuracy of the regular transportation reimbursement received from PDE for the audit period.

Additionally, we assessed the internal controls over identifying and reporting reimbursable students who reside on a hazardous walking route and non-reimbursable students. We obtained and reviewed the Pennsylvania Department of Transportation approved hazardous walking routes applicable during the audit and the list of all students who were provided transportation and lived within 1.5 miles of their elementary school and 2.0 of their secondary school.<sup>14</sup> We verified that the District provided transportation for a total of 265 non-reimbursable students and 297 hazardous route students during the 2015-16 through 2018-19 school years even though it reported zero students transported in these categories for all four years of the audit period.

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<sup>12</sup> See 24 P.S. § 25-2541(a).

<sup>13</sup> The District reported 157 vehicles for all review years (2015-16 through 2018-19 school years).

<sup>14</sup> The District did not report any students for the four audit years (2015-16 through 2018-19 school years) as non-reimbursable students or students who lived along approved hazardous routes. PDE will be notified of this discrepancy.

Finally, we assessed the District's internal controls for the inputting, processing, and reporting of nonpublic and charter school students to PDE. We reviewed requests for transportation for all 288 nonpublic students and 234 charter school students reported as transported by the District for the 2015-16 through 2018-19 school years.<sup>15</sup>

**Conclusion:** The results of our procedures identified areas of noncompliance and significant internal deficiencies related to obtaining, reviewing, and maintaining documentation to support the transportation data reported to PDE. Those results are detailed in the Finding beginning on page 6 of this audit report.

### **Bus Driver Requirements**

- 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 clearances<sup>16</sup> as outlined in applicable laws?<sup>17</sup> Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
  - ✓ To address this objective, we assessed the District's internal controls for maintaining and reviewing required driver qualification documents and procedures for being made aware of who transported students daily. We determined if all drivers were approved by the District's Board of School Directors (Board). We randomly selected 31 of the 61 drivers transporting District students as of September 1, 2020, and we reviewed documentation to ensure the District complied with the requirements for bus drivers.<sup>18</sup> We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physicals.

**Conclusion:** The results of our procedures did not identify any reportable issues; however, we did identify an internal control deficiency that was not significant to our objective but warranted the attention of District management and those charged with governance. This deficiency was verbally communicated to District management and those charged with governance for their consideration.

### **Administrator Separations**

- Did the District ensure all individually contracted employees who separated from the District were compensated in accordance with their contract? Also, did the contracts comply with the Public School Code and were the final payments in accordance with the Public School Employees' Retirement System (PSERS) guidelines?

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<sup>15</sup> The District reported 86 nonpublic students and 55 charter students for the 2015-16 school year, 72 nonpublic students and 65 charter students for the 2016-17 school year, 70 nonpublic students and 61 charter students for the 2017-18 school year, and 60 nonpublic students and 53 charter students for the 2018-19 school year.

<sup>16</sup> 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.

<sup>17</sup> PSC 24 P.S. § 1-111, CPSL 23 Pa.C.S. § 6344(a.1), PSC (Educator Discipline) 24 P.S. § 2070.1a *et seq.*, State Vehicle Code 75 Pa.C.S. §§ 1508.1 and 1509, and State Board of Education's regulations 22 Pa. Code Chapter 8.

<sup>18</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.

- ✓ To address this objective, we assessed the District’s internal controls over the process to determine final payouts for administrator separations. We reviewed employment contracts, leave records, and payroll records for the six individually contracted administrators who separated employment from the District during the period of July 1, 2015 through August 20, 2020. We reviewed the final payouts to determine if the administrators were compensated in accordance with their contracts. We verified the leave payouts were not reported as eligible wages to PSERS. We verified that the Board complied with Section 508 of the Public School Code by voting to approve each administrator’s separation from employment with the District.

**Conclusion:** The results of our procedures did not identify any significant internal control deficiencies required to be reported. In addition, our procedures related to this objective did not disclose any reportable issues.

### **Social Security Reimbursements**

- Did the District accurately report employee payroll data to PDE? Also, did the District receive the proper amount of social security reimbursement based on the reported data?
  - ✓ To address this objective, we assessed the District’s internal controls for maintaining, reviewing, and reporting payroll and tax information to PDE. We obtained from the District payroll records, the PDE-2105 social security wage form, and the 941 quarterly tax returns for the 2015-16 school year. We compared the District’s payroll records to the PDE-2105 and quarterly tax returns and verified agreement. We calculated the expected reimbursements based on the data reported to PDE and determined if the District received the proper amount of social security reimbursements.

**Conclusion:** The results of our procedures did not identify any reportable issues; however, we did identify an internal control deficiency that was not significant to our objective but warranted the attention of District management and those charged with governance. This deficiency was verbally communicated to District management and those charged with governance for their consideration.

### **Construction Projects Reimbursement**

- Did the District submit applications for all approved construction projects eligible for PDE reimbursements and did the District apply timely for the reimbursements? Did the District receive the correct amount of reimbursements for its eligible construction projects?
  - ✓ To address this objective, we assessed the District’s internal controls for reviewing and reporting payments and applying for reimbursements for its eligible construction projects. We obtained the amortization schedules for all 40 reimbursable project bond payments for the 2015-16 through 2018-19 school years. We also obtained the payment confirmations, reimbursement applications, and reimbursement confirmations associated with the projects. We compared the principal and interest payments reported in the independent auditors report and annual financial reports to the applications submitted to PDE for reimbursement and verified agreement. We obtained the PDE-2071 reimbursement applications for each payment to determine if the application was accurate and submitted timely to PDE. We also determined if the District had monitoring procedures over the receipt of reimbursements.

**Conclusion:** The results of our procedures did not identify any reportable issues; however, we did identify an internal control deficiency that was not significant to our objective but warranted the attention of District management and those charged with governance. This deficiency was verbally communicated to District management and those charged with governance for their consideration.

## **School Safety**

➤ Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding with local law enforcement?<sup>19</sup> Also, did the District follow best practices related to physical building security and providing a safe school environment?

- ✓ To address this objective, we reviewed a variety of documentation including safety plans, risk and vulnerability assessments, anti-bullying policies, school climate surveys, and memorandums of understanding with law enforcement.

**Conclusion:** Due to the sensitive nature of school safety, the results of our review for this portion of the objective are not described in our audit report, but they were shared with District officials, PDE's Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.<sup>20</sup>

➤ Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?<sup>21</sup> Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?

- ✓ To address this objective, we obtained and reviewed the fire and security drill records for all four of the District's buildings to determine whether drills were conducted as required for the 2018-19 school year. We determined if a security drill was held within the first 90 days of the school year for each building in the District and if monthly fire drills were conducted in accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation.

**Conclusion:** The results of our procedures for this portion of the school safety objective did not disclose any reportable issues.

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<sup>19</sup> Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

<sup>20</sup> Other law enforcement agencies include the Pennsylvania State Police, the Attorney General's Office, and local law enforcement with jurisdiction over the District's school buildings.

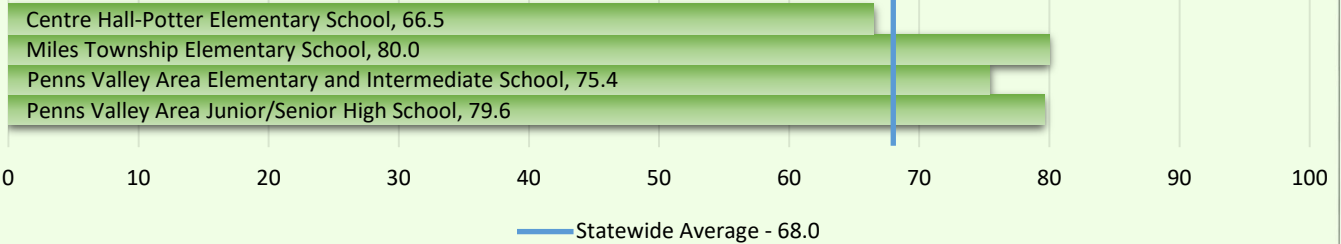
<sup>21</sup> Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

## Appendix B: Academic Detail

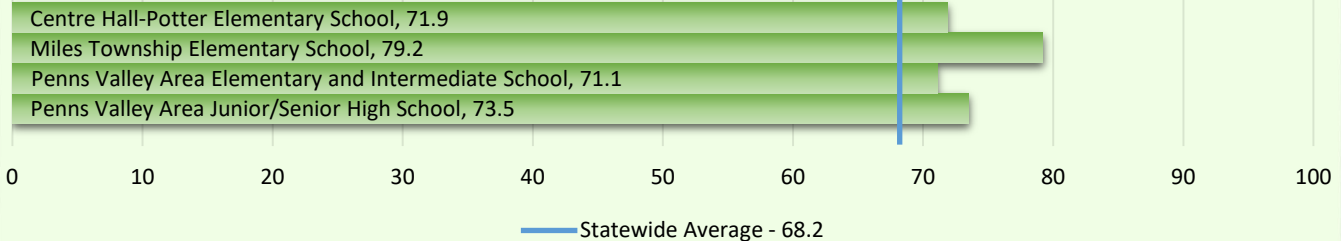
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>22</sup> Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.<sup>23</sup>

### SPP School Scores Compared to Statewide Averages

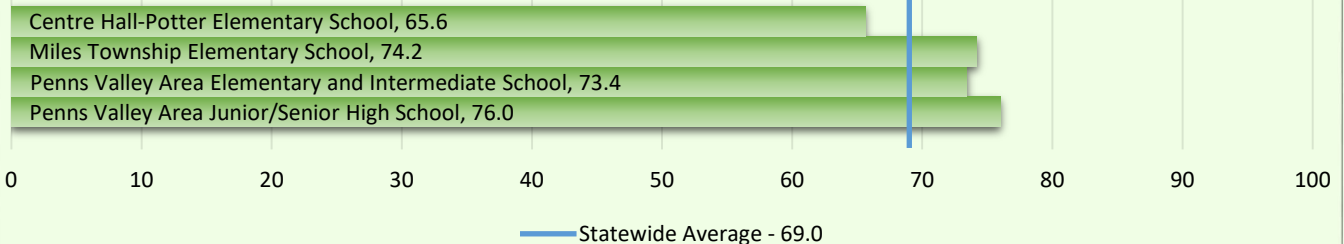
#### 2018-19



#### 2017-18



#### 2016-17



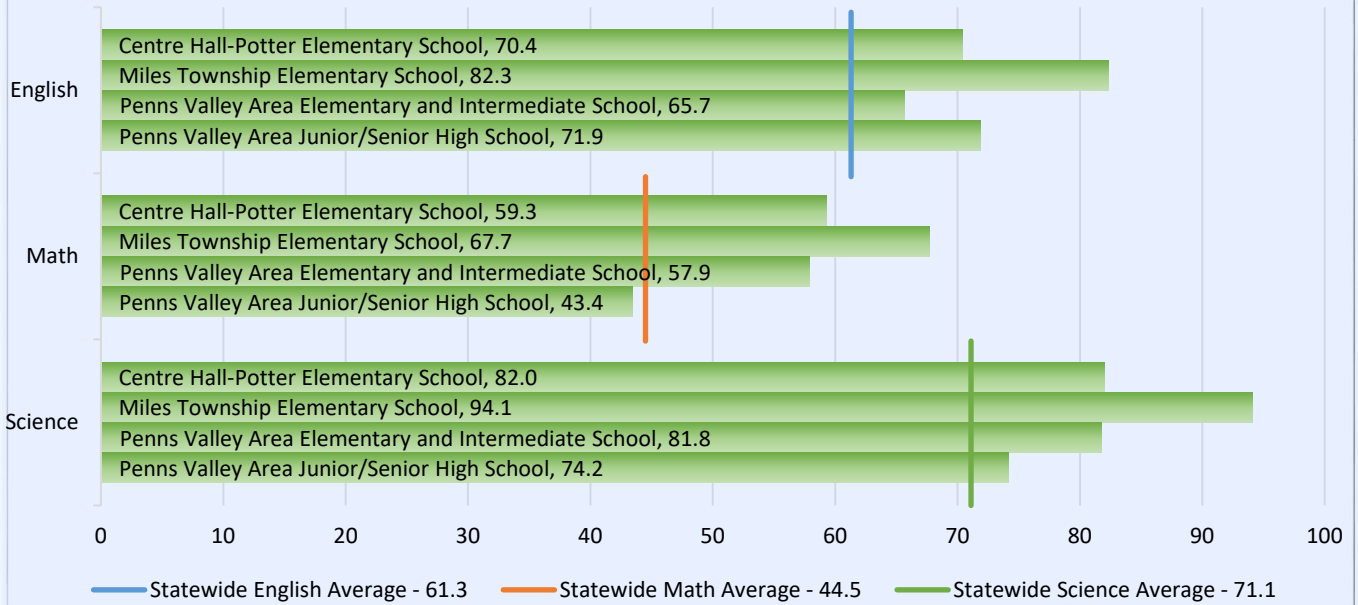
<sup>22</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

<sup>23</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.

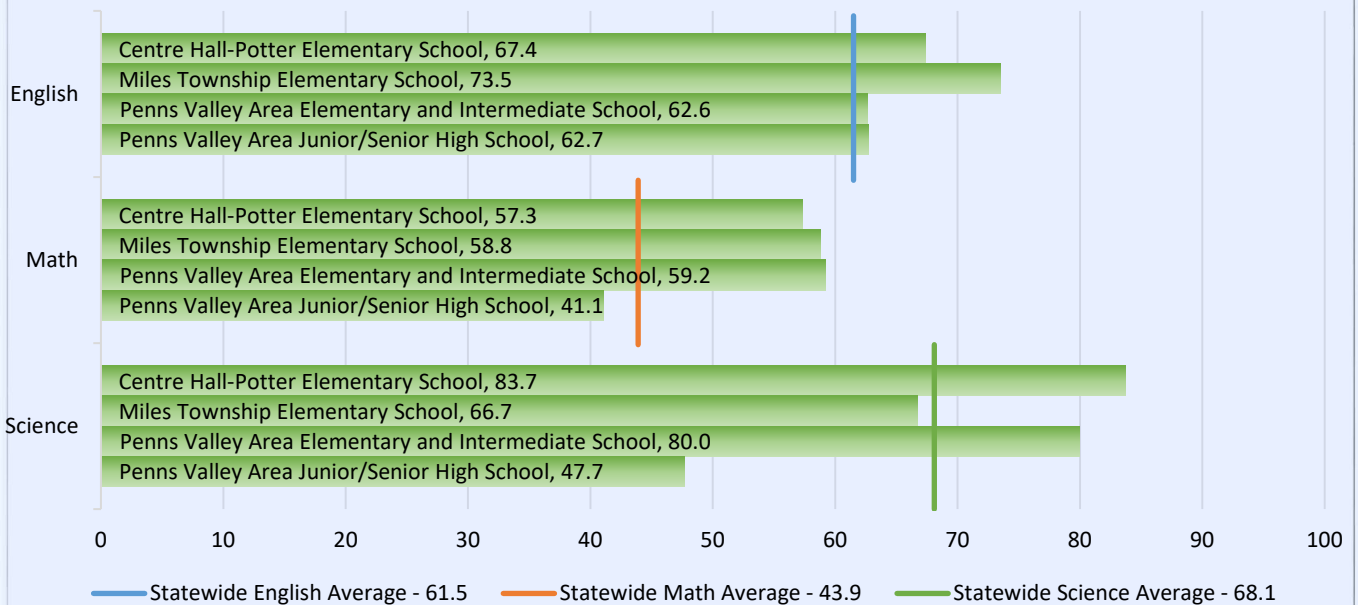


**PSSA Advanced or Proficient Percentage  
School Scores Compared to Statewide Averages**

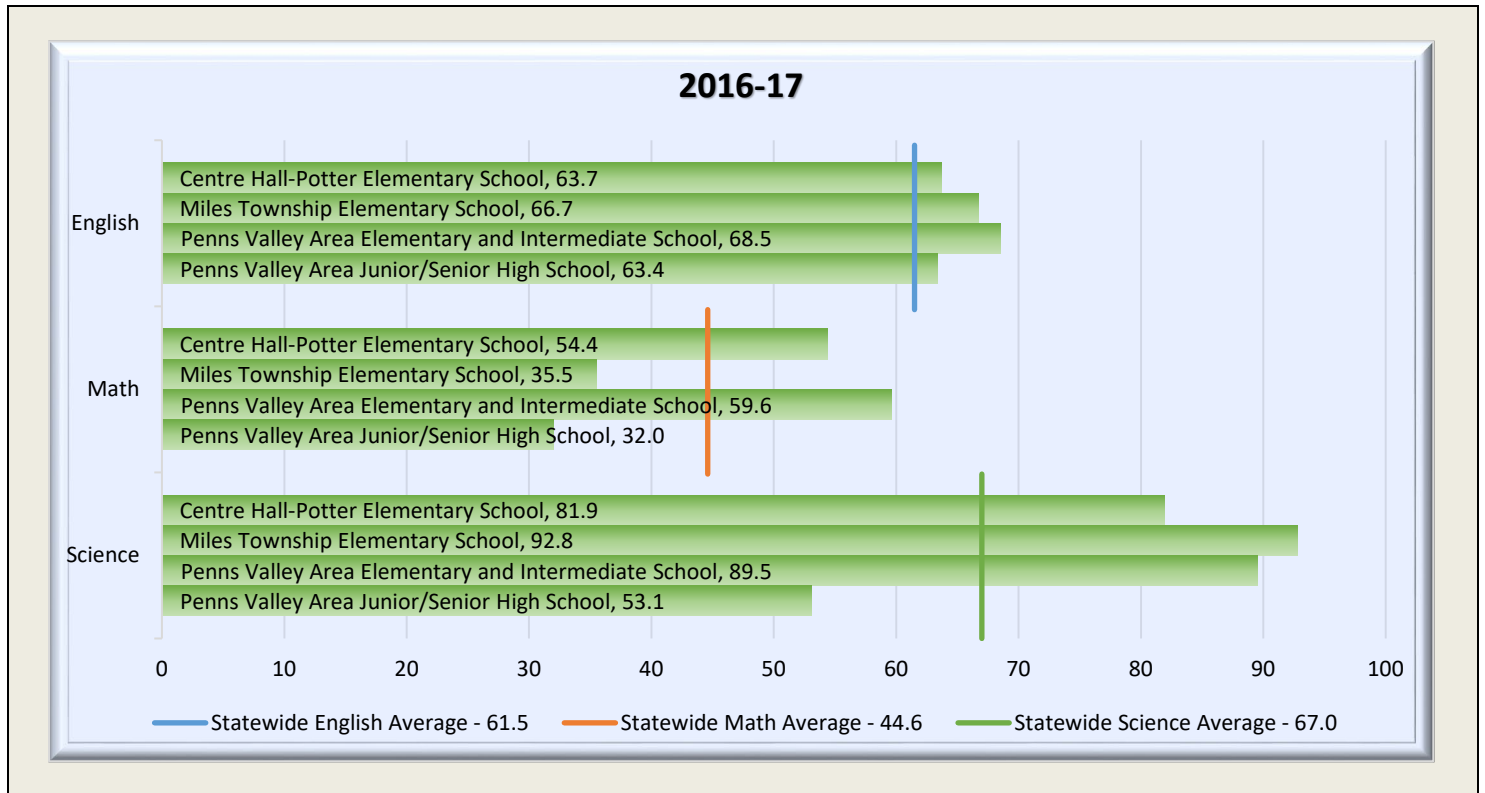
**2018-19**



**2017-18**

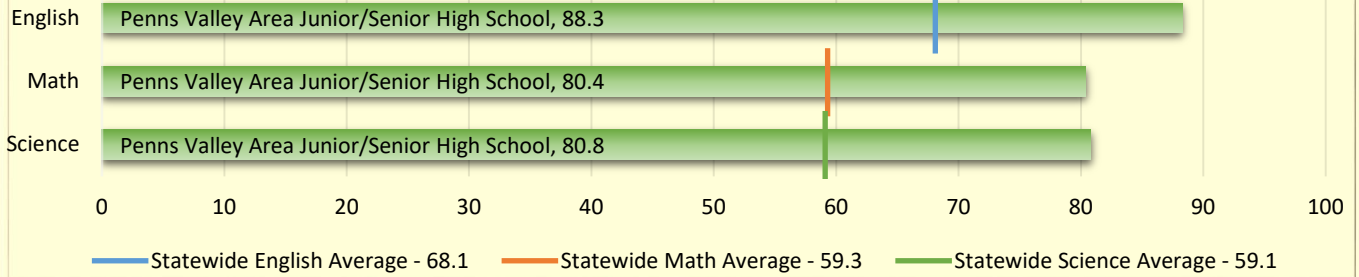


**PSSA Advanced or Proficient Percentage  
School Scores Compared to Statewide Averages (continued)**

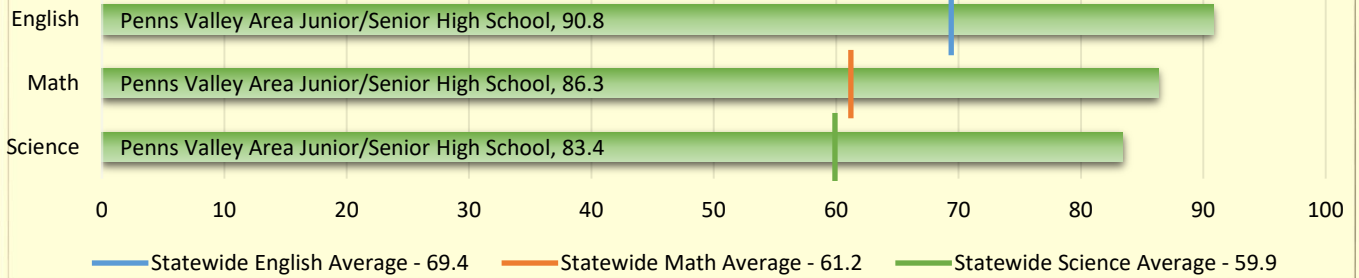


## Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

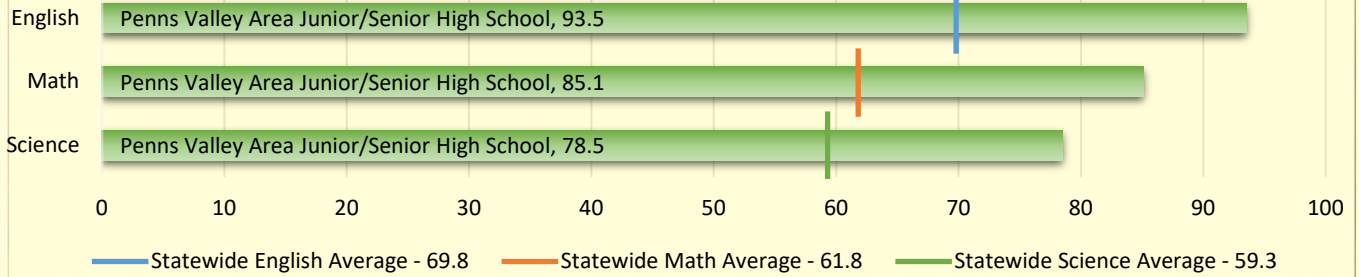
### 2018-19



### 2017-18



### 2016-17



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

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