

# PERFORMANCE AUDIT

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## Philipsburg-Osceola Area School District Clearfield County, Pennsylvania

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November 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Dr. Gregg Paladina, Superintendent  
Philipsburg-Osceola Area School District  
200 Short Street  
Philipsburg, Pennsylvania 16866

Mrs. Dana Droll, Board President  
Philipsburg-Osceola Area School District  
200 Short Street  
Philipsburg, Pennsylvania 16866

Dear Dr. Paladina and Mrs. Droll:

We have conducted a performance audit of the Philipsburg-Osceola 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:

- Financial Stability
- Transportation Operations
- Construction Project Reimbursements
- Health Service Reimbursements
- Bus Driver Requirements
- Administrator Separations

We also evaluated the application of best practices and determined compliance with certain legal and other requirements in the area of school safety, including compliance with fire and security drill requirements. 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 areas of transportation operations, construction project reimbursements, and health service reimbursements. We also identified areas of noncompliance and failure to follow best practices in the area of financial stability. These deficiencies are detailed in the four findings of this report. A summary of the results is presented in the Executive Summary section of this report.

Dr. Gregg Paladina

Mrs. Dana Droll

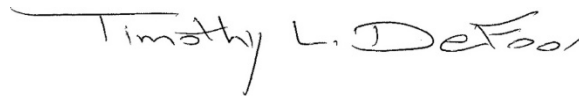
Page 2

In addition, we found that the District performed adequately in the area of bus driver requirements and administrator separations, and we did not identify any internal control deficiencies.

Our audit findings and recommendations have been discussed with the District, and their responses are included in the audit report. We believe the implementation of our recommendations will improved the District's operations and facilitate compliance with legal and other relevant requirements.

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 from the start of the name.

Timothy L. DeFoor  
Auditor General

October 25, 2021

cc: **PHILIPSBURG-OSCEOLA AREA SCHOOL DISTRICT** Board of School Directors

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## Executive Summary

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### Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Philipsburg-Osceola Area 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, 2015 through June 30, 2019, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2015-16 through 2018-19 school years.

### Audit Conclusion and Results

Our audit found areas of noncompliance and significant internal control deficiencies as detailed in the four findings in this report.

#### **Finding No. 1: The District had a Cumulative Deficit Which Reduced Its General Fund Balance by More Than \$5 Million.**

Our review of the District's financial position over a five-year period revealed that the District's General Fund balance decreased significantly. We found that after incurring an operating surplus in the 2015-16 fiscal year, the District experienced operating deficits for the next four fiscal years. Those deficits led to the more than \$5 million decrease in the General Fund balance from a high of \$8.9 million as of June 30, 2016 to just \$3.6 million as of June 30, 2020 (see page 8).

#### **Finding No. 2: The District's Failure to Implement Adequate Internal Controls Resulted in a Net \$28,583 Overpayment to the District.**

We found the District did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. The failure to implement internal controls led to multiple inaccuracies in the transportation data reported to the Pennsylvania Department of Education (PDE). Consequently, the District was overpaid a net total of \$28,583 in regular transportation reimbursements for the 2015-16 through 2018-19 school years (see page 16).

#### **Finding No. 3: The District's Failure to Implement Adequate Internal Controls Resulted in the District Failing to Apply for \$572,583 in Reimbursements From PDE for Approved Construction Projects.**

We found that the District did not implement an adequate internal control system over its requests for reimbursement from PDE for its construction project costs. Due to a lack of internal controls, the District failed to file for reimbursements totaling \$572,583 for costs associated with major construction projects. In addition, the District's failure to file other applications timely resulted in a delay in receiving revenues of \$460,052 (see page 22).

#### **Finding No. 4: The District's Failure to Implement Adequate Internal Controls Led to Inaccurate Reporting and a Health Service Reimbursement Underpayment of \$11,834.**

We found that the District failed to implement adequate internal controls over reporting health services data to the Pennsylvania Department of Health. The District's failure to implement internal controls resulted in the District underreporting student data which led to the District receiving \$11,834 less than it was entitled to receive for its

health services reimbursement for the 2015-16 school year (see page 27).

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

Our prior audit of the District was released on January 29, 2016 and resulted in one finding related to bus driver requirements, and we made three recommendations. Specifically, we found that the District did not ensure that all drivers were approved by the Board of School Directors and the District did not obtain all the required background clearances. During our current audit, we found that the District took appropriate corrective actions to address the finding and implemented all three of our prior audit recommendations.

## Background Information

School Characteristics 2020-21 School Year*	
County	Clearfield
Total Square Miles	222
Number of School Buildings	4
Total Teachers	138
Total Full or Part-Time Support Staff	117
Total Administrators	13
Total Enrollment for Most Recent School Year	1,617
Intermediate Unit Number	10
District Career and Technical School	Clearfield County Career and Technology Center

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

## Mission Statement\*

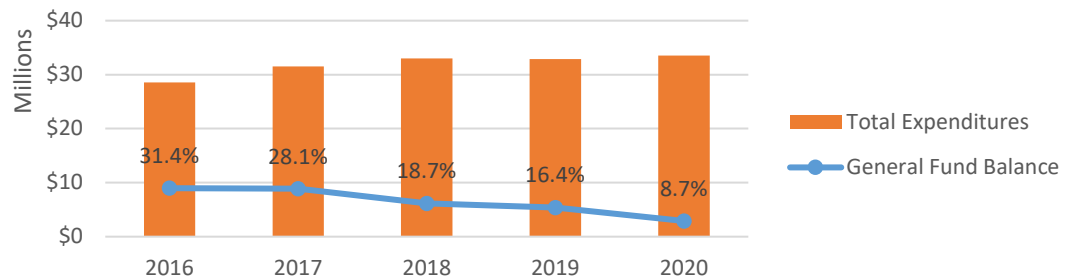
To provide a supportive educational environment to promote student learning through academic rigor, District partnerships, and career readiness programs for the development of responsible citizens in today's world.

## Financial Information

The following pages contain financial information about the Philipsburg-Osceola 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**.

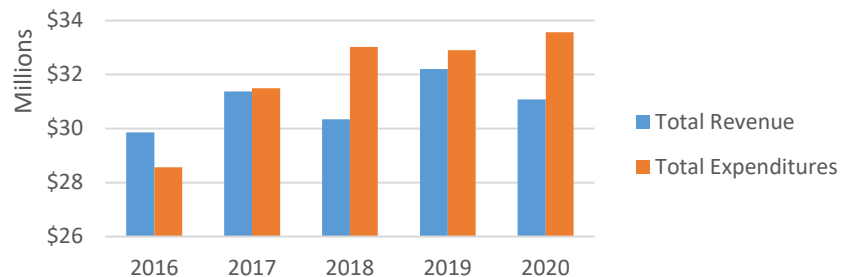
### General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2016	\$8,976,503
2017	\$8,859,211
2018	\$6,182,078
2019	\$5,384,320
2020	\$2,904,072



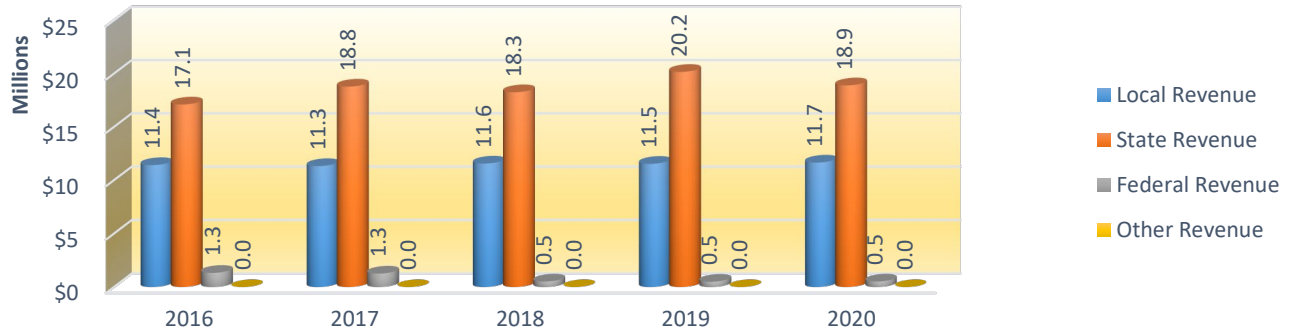
### Revenues and Expenditures

	Total Revenue	Total Expenditures
2016	\$29,861,184	\$28,569,534
2017	\$31,378,852	\$31,496,144
2018	\$30,347,512	\$33,024,646
2019	\$32,207,964	\$32,901,694
2020	\$31,084,602	\$33,564,850

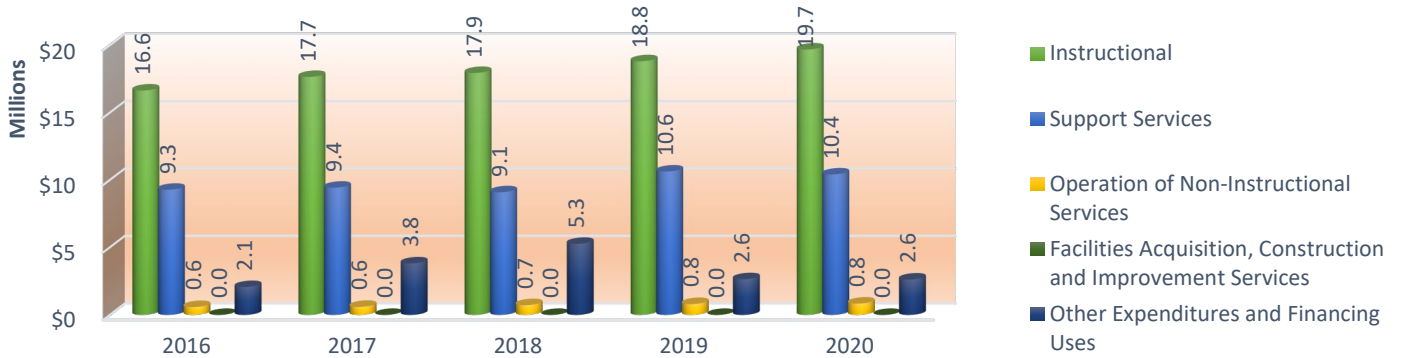


## Financial Information Continued

### Revenues by Source

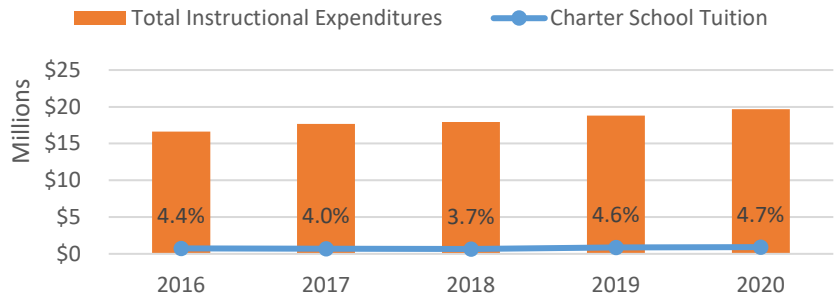


### Expenditures by Function

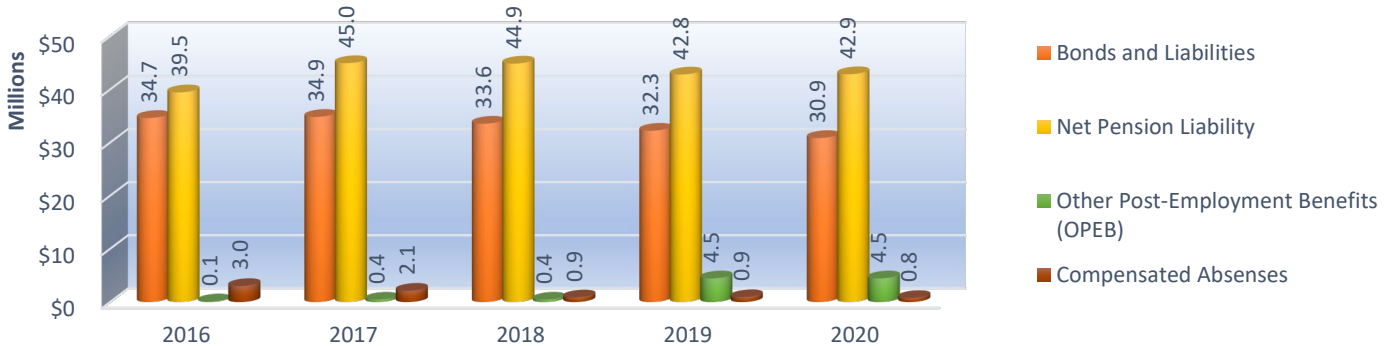


### Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2016	\$738,748	\$16,646,314
2017	\$697,581	\$17,654,666
2018	\$661,842	\$17,949,732
2019	\$856,784	\$18,820,693
2020	\$917,534	\$19,691,934



### Long-Term Debt



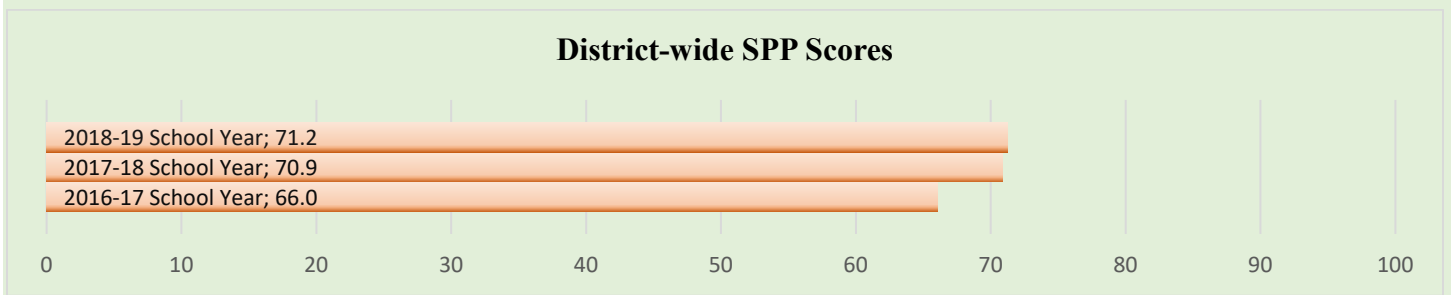


## Academic Information<sup>1</sup>

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, and Keystone Exam results for the District obtained from PDE's data files for the 2016-17, 2017-18, and 2018-19 school years.<sup>2</sup> In addition, the District's 4-Year Cohort Graduation Rates are presented for the 2017-18 through 2019-20 school years.<sup>3</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>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> Due to the COVID-19 pandemic the PSSA and Keystone Exam requirements were waived for the 2019-20 school year; therefore, there is no academic data to present for this school year.

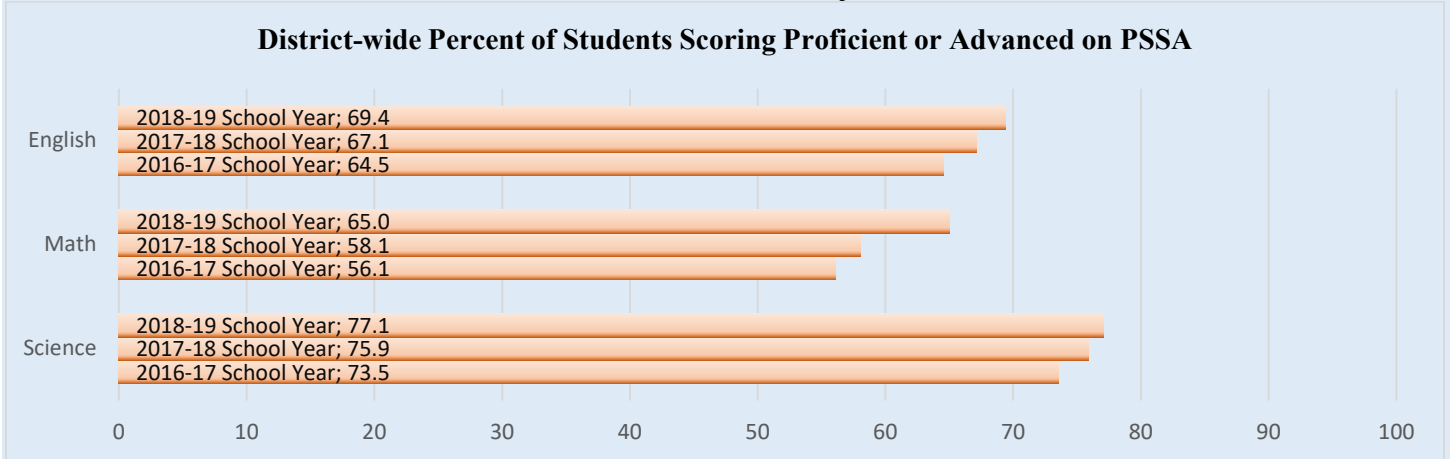
<sup>3</sup> Graduation rates were still reported for the 2019-20 school year despite the COVID-19 pandemic.

## Academic Information Continued

### What is the PSSA?

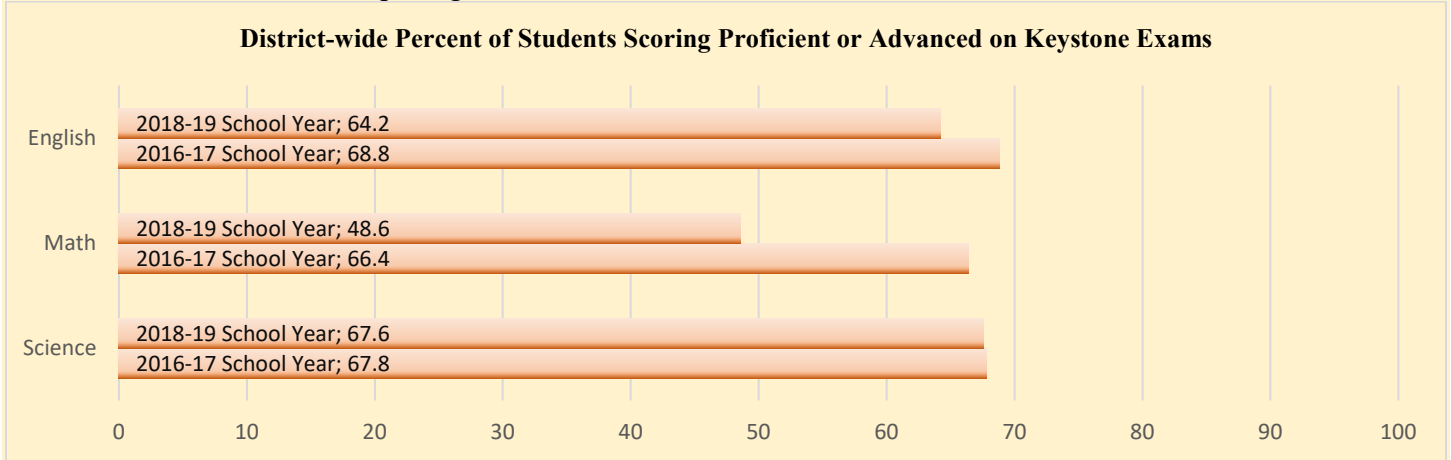
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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>4</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.

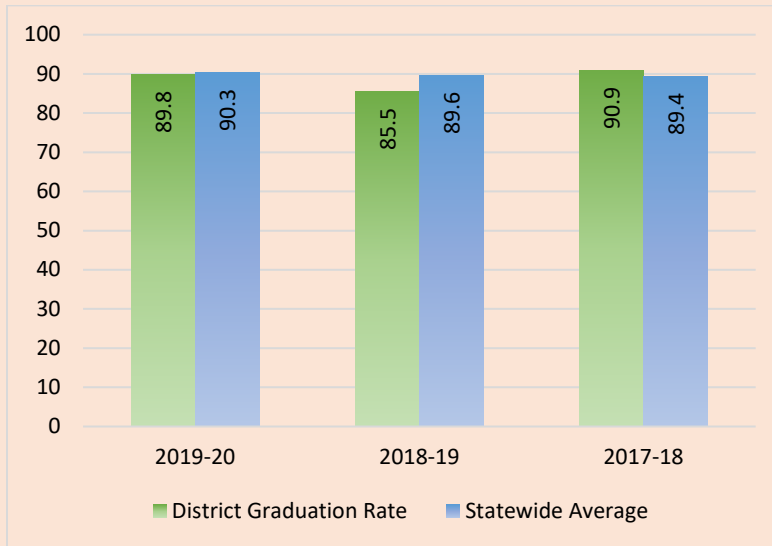


<sup>4</sup> Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (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>5</sup>



<sup>5</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

## Findings

### Finding No. 1

### The District had a Cumulative Deficit Which Reduced Its General Fund Balance by More Than \$5 Million

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

**Section 609 of the Public School Code (PSC) provides, in part:** “No work shall be hired to be done, no materials purchased and no contracts made by any board of school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded.” See 24 P.S. § 6-609.

**Section 688 of the PSC provides, in part:** “For the 2005-2006 school year and each year thereafter, no school district shall approved an increase in real property taxes unless it has adopted a budget that includes an estimated ending unreserved, undesignated fund balance is less than 8% of the total expenditures.” See 24 P.S. § 6-688.

Our review of the Philipsburg-Osceola Area School District’s (District) financial position over a five-year period revealed that the District’s General Fund balance decreased significantly. We found that, after incurring an operating surplus in the 2015-16 fiscal year, the District experienced operating deficits for the next four fiscal years. Those deficits led to the more than \$5 million decrease in the General Fund balance from a high of \$8.9 million as of June 30, 2016 to just \$3.6 million as of June 30, 2020.

We found that in addition to the District’s expenditures outpacing its revenues, the District began making transfers from the General Fund to the Capital Fund to pay for a \$5.7 million stadium construction project. It’s important to note that the District’s transfers from its General Fund to build the stadium were unbudgeted and this practice significantly depleted the General Fund balance. Furthermore, the District did not raise sufficient revenue to keep its General Fund balance at a level below what is considered to be a best practice while expenditures increased and monies were being transferred out. To address this downward trend, going forward, the District will have to develop budgets to create a surplus to cover rising expenditures and increase the General Fund balance.

We reviewed several financial benchmarks, including the General Fund balance, operating position, and financial ratios, to evaluate changes in the District’s financial position over a period of five years from July 1, 2015 through June 30, 2020.

#### **Declining General Fund Balance**

The District’s General Fund balance consisted of two distinct classifications: 1) committed<sup>6</sup> and 2) unassigned. The committed fund balance consisted of funds that the District had set aside to pay for employee pension obligations. Table No. 1 below details the District’s annual General Fund balance for each of the two classifications during the period reviewed.

<sup>6</sup> *Committed Fund Balances* are amounts constrained to be used for a specific purpose as per government’s highest level of decision making authority such as the school board, board of directors, board of trustees, etc. Note: A Board Resolution is required. Constraint can also be removed or changed by an equal level action. *Source: PDE [Pennsylvania Department of Education] Chart of Accounts for PA Local Educational Agencies.*

Criteria relevant to the finding  
(continued):

**The Government Finance Officers Association (GFOA)** has developed Budgeting Best Practices for School Districts. Among the best practices are:

**General Fund Reserve.** School districts should establish a formal process on a level of the unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk. The GFOA recommends, at a minimum, that school districts maintain an unrestricted fund balance in their general fund of no less than two months of regular General Fund operating expenditures and operating transfers out. Budgeting and maintaining adequate fund balances allow school boards and superintendents to maintain their educational programs and services with level tax adjustments. They also provide financial stability in emergency situations so that it is certain that employees and vendors are paid on time. Fund balances reduce interest expense or interim borrowing. In addition, stable fund balance history appeals more to underwriters and other creditors when construction projects are undertaken and the school district must enter the bond market.

The Pennsylvania School Boards Association in its *Overview of Fiscal Health* for the 2013-14 school year provided the following fiscal benchmarks.

- Financial industry guidelines recommend that fund balances be between five percent and ten percent of annual expenditures.

**Table 1**

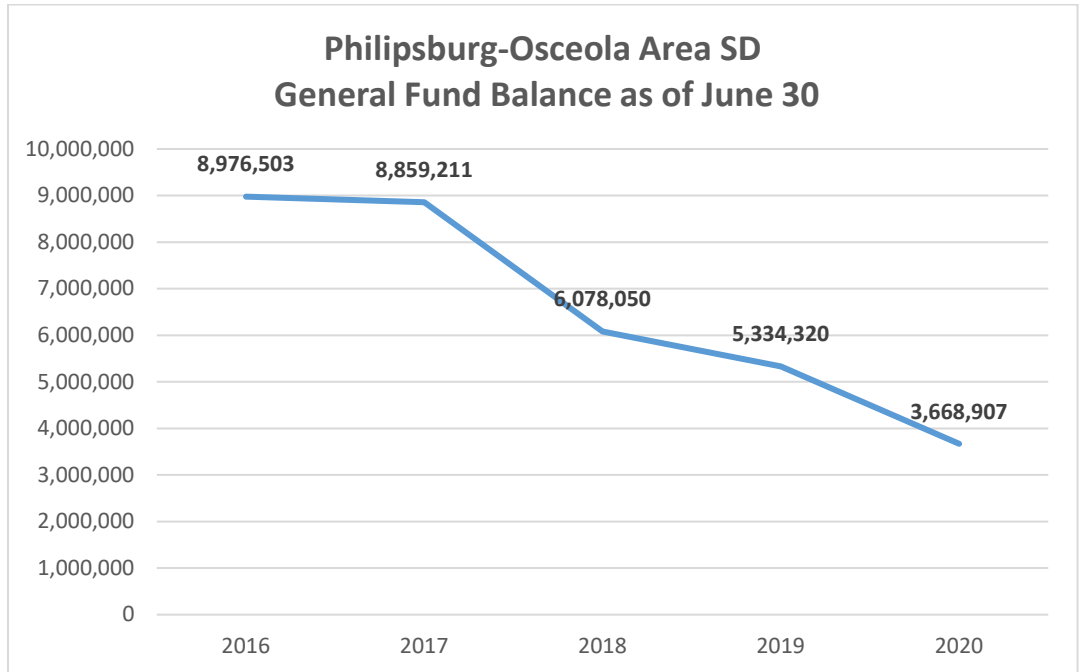
Philipsburg-Osceola Area School District General Fund Balance Composition			
As of June 30	(A) Committed	(B) Unassigned	(A+B) Total Unrestricted
2016	\$310,000	\$8,666,503	\$8,976,503
2017	\$310,000	\$8,549,211	\$8,859,211
2018	\$310,000	\$5,768,050	\$6,078,050
2019	\$310,000	\$5,024,320	\$5,334,320
2020	\$310,000	\$3,358,907	\$3,668,907

As illustrated in Table No. 1 above and Chart 1 on the next page, the District's General Fund balance has deteriorated during the period reviewed. While the District maintained a constant committed fund balance to address its pension obligations, the unassigned General Fund balance has fallen below what is considered to be a best practice.

**Noncompliance with best practices:** The adequacy of an unassigned fund balance in the general fund can and should vary from one school district to the next and should take into consideration each district's own unique circumstances. Nevertheless, the Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted general fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures plus transfers out.

The District's General Fund balance did not meet best practices for two of the five years of the audit period. The District's unrestricted General Fund balance as of June 30, 2020 was only \$3,668,907, which is significantly less than the fund balance recommended by the GFOA. More specifically, the District's operating expenditures and transfers out as of June 30, 2020 were \$33,266,968, which equates to an estimated \$2.7 million in monthly expenditures. Therefore, GFOA guidelines would recommend that the District maintain an unrestricted fund balance of \$5.4 million. The District's June 30, 2020 fund balance would cover only one month's worth of expenditures. Chart 1 provides an illustration of the decline in the District's General Fund balance over the period reviewed.

**Chart 1**



*Criteria relevant to the finding (continued):*

- Operating position is the difference between actual revenues and actual expenditures. Financial industry guidelines recommend that the district operating position always be positive (greater than zero).

**The Pennsylvania Department of Education’s (PDE) Chart of Accounts Section 830 Committed Fund Balance**

Amounts constrained to be used for a specific purpose as per government’s highest level of decision making authority such as the school board, board of directors, board of trustees, etc. Note: Board Resolution required. Constraint can also be removed or changed by an equal level action.

School districts, like individuals, should have a “rainy day fund” to deal with emergencies or unforeseen needs, unanticipated expenses, and disruptions to revenue. The lack of available reserve funds could compel the District to borrow additional funds to meet unforeseen needs and/or unanticipated expenses. In addition, borrowing costs will increase as a result of a lack of available reserve funds. On August 25, 2020, the Board approved a Tax Anticipation Note (TAN) to generate revenue to pay current bills and make payroll until tax collections could begin. If the District’s General Fund balance was meeting GFOA best practice guidelines, the issuance of a TAN may have been avoided.

**Declining Operating Position**

A school district’s operating position is an important indicator of its financial health and is determined by comparing total operating revenues to total operating expenditures. The result of total expenditures and other financing uses exceeding total revenues and other financing sources is a deficit. Table No. 2 below shows the District’s total cumulative deficit that occurred during the review period.

**Table No. 2**

<b>Philipsburg-Osceola Area School District General Fund Operating Position<sup>7</sup></b>					
	(A)	(B)	(C)	(D)	(E)
<b>Fiscal Year Ended June 30</b>	<b>Total Revenue</b>	<b>Total Operating Expenditures</b>	<b>Operating Surplus/(Deficit) (A-B)</b>	<b>Other Financing (Uses)</b>	<b>Total Surplus/(Deficit) (C+D)</b>
<b>2016</b>	\$29,861,183	\$27,191,627	\$2,669,556	(\$1,377,907)	\$1,291,649
<b>2017</b>	\$31,378,852	\$29,310,094	\$2,068,758	(\$2,186,050)	(\$ 117,292)
<b>2018</b>	\$30,346,685	\$30,127,821	\$ 218,864	(\$3,000,025)	(\$2,781,161)
<b>2019</b>	\$32,198,969	\$32,682,095	(\$ 483,126)	(\$ 260,604)	(\$ 743,730)
<b>2020</b>	\$31,849,438	\$33,266,968	(\$1,417,530)	(\$ 247,883)	(\$1,665,413)
<b>Total:</b>	<b>\$155,635,127</b>	<b>\$152,578,605</b>	<b>\$3,056,522</b>	<b>(\$7,072,469)</b>	<b>(\$4,015,947)</b>

As shown in Table No. 2, the District had a total cumulative deficit of more than \$4 million for the period reviewed. As illustrated in the table, the District’s total operating expenditures increased by more than \$6 million from the 2015-16 fiscal year to the 2019-20 fiscal year, while total revenue increased by less than \$2 million. The increase in total operating expenditures can primarily be attributed to the significant increase in instructional expenditures which were at least 61 percent of total operating expenditures for each year reviewed. Total instructional expenditures increased from \$16.6 million in the 2015-16 fiscal year to \$19.6 million in the 2019-20 fiscal year. We noted that over the same time period, the District’s total student enrollment decreased from 1,811 to 1,680.

In addition to increasing operating expenditures, the District’s other financing uses over the period reviewed contributed to the District’s cumulative deficit. The District’s other financing uses primarily consisted of the \$5.7 million in transfers from the General Fund for the construction of a new athletic stadium. The District did have a General Fund balance sufficient to cover these transfers during the period reviewed; however, the General Fund has been depleted and total revenues have not increased proportionally to offset the increasing expenditures and transfers out of the General Fund.

The District’s two main revenue sources are local revenues and Commonwealth subsidies. Revenue from the Commonwealth comprised 61 percent of the District’s total revenues in the 2019-20 fiscal year. The District’s Commonwealth subsidy increased by approximately \$2.4 million over the five-year review period. It is imperative for a district that relies so heavily on Commonwealth subsidies to accurately report reimbursable data to PDE. We found that the District failed to report accurate data in three areas that we reviewed. See the three other findings

<sup>7</sup> Information obtained from the District’s Independent Auditor’s Report, Statement of Revenue, Expenditures, and Changes in Fund Balance for the fiscal years ending 2016 through 2020. We did not perform procedures to verify the accuracy of the amounts presented.

in this report for more details on the District's failure to report accurate data to PDE and the resultant subsidy over/underpayments to the District.

Local revenues are primarily generated from property taxes and comprised 37 percent of the District's total revenue in the 2019-20 fiscal year.<sup>8</sup> The District reduced property taxes in the 2015-16 and 2017-18 school years and increased taxes in the 2016-17 and 2019-20 school years. While the District's total local revenue fluctuated over the review period, the District received \$200,000 more in the 2019-20 fiscal year than it did in the 2015-16 fiscal year. We noted that the District's future local revenues will be impacted by the closure of the Moshannon Valley Correctional Facility that occurred on March 31, 2021.<sup>9</sup> The owner of this facility was the largest taxpayer in Clearfield County. The potential impact to the District is reduced property tax collections of approximately \$475,000 annually.

### **Low Current Ratio**

The District's current ratio—current assets divided by current liabilities—significantly declined during our review period. According to best business practices, a current ratio below 2 is considered weak. A current ratio under 1 is especially troubling because that means liabilities exceed assets. The District's current ratio was 3.01 at the beginning of the 2015-16 fiscal year but had dropped to just 1.47 as of the 2019-20 fiscal year end. Potential creditors use this ratio to measure a district's ability to pay its short-term debts.

On August 10, 2021, Moody's Investors Service downgraded the District's issuer and general obligation limited tax ratings from A1 to A2 and assigned a negative outlook. Moody's negative outlook reflects the expectation that the District's financial position will remain challenged in the near term and is exacerbated by the potential loss of revenue from the District's top taxpayer. The negative outlook also reflects the District's declining enrollment. The following chart illustrates the decrease in the District's current ratio over the five-year audit period.

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<sup>8</sup> Federal revenue comprised 2 percent of the total revenues in the 2019-20 fiscal year.

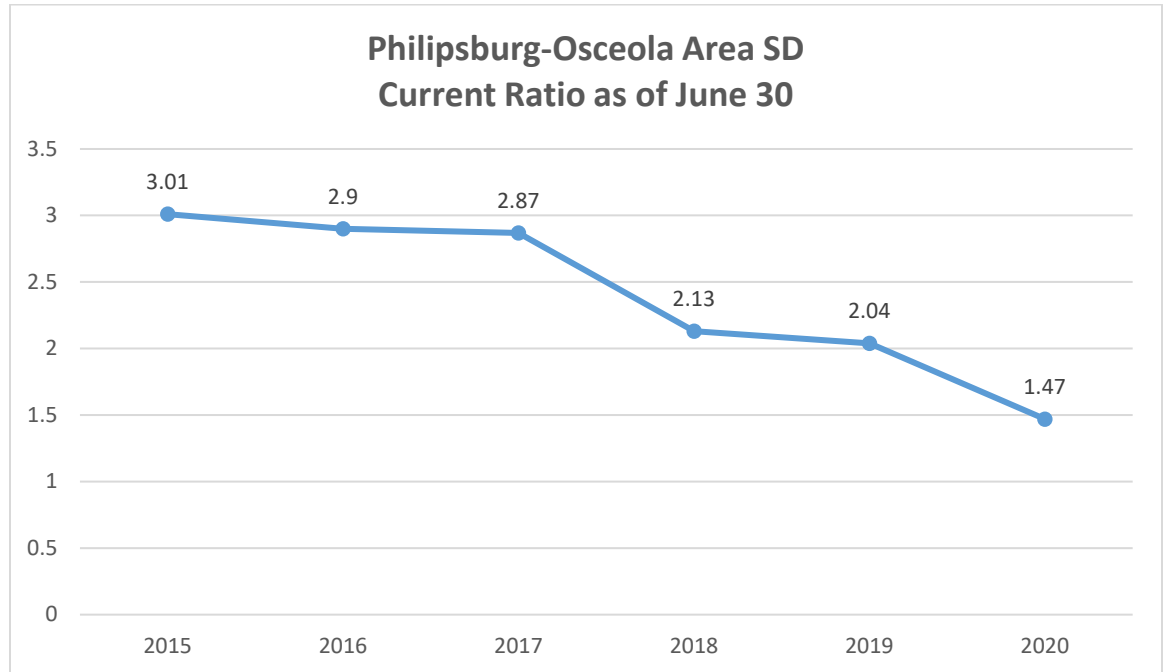
<sup>9</sup> As of September 29, 2021, the Clearfield County Commissioners voted to approve a pair of five-year contracts, allowing this facility to reopen as a U.S. Immigration and Customs Enforcement (ICE) Center. See

[https://www.theprogressnews.com/news/local/moshannon-valley-correctional-facility-to-reopen/article\\_4091d4cb-9912-5d30-a05e-48d44af-ffe8.html](https://www.theprogressnews.com/news/local/moshannon-valley-correctional-facility-to-reopen/article_4091d4cb-9912-5d30-a05e-48d44af-ffe8.html). and <https://gantnews.com/2021/09/29/moshannon-valley-correctional-facility-to-reopen-as-ice-center/>

It is believed that the tax base for this private facility will be much lower than the prior facility that had a contract with the Federal Bureau of Prisons with about 250 employees.



**Chart 2**



**General Fund Budgeting**

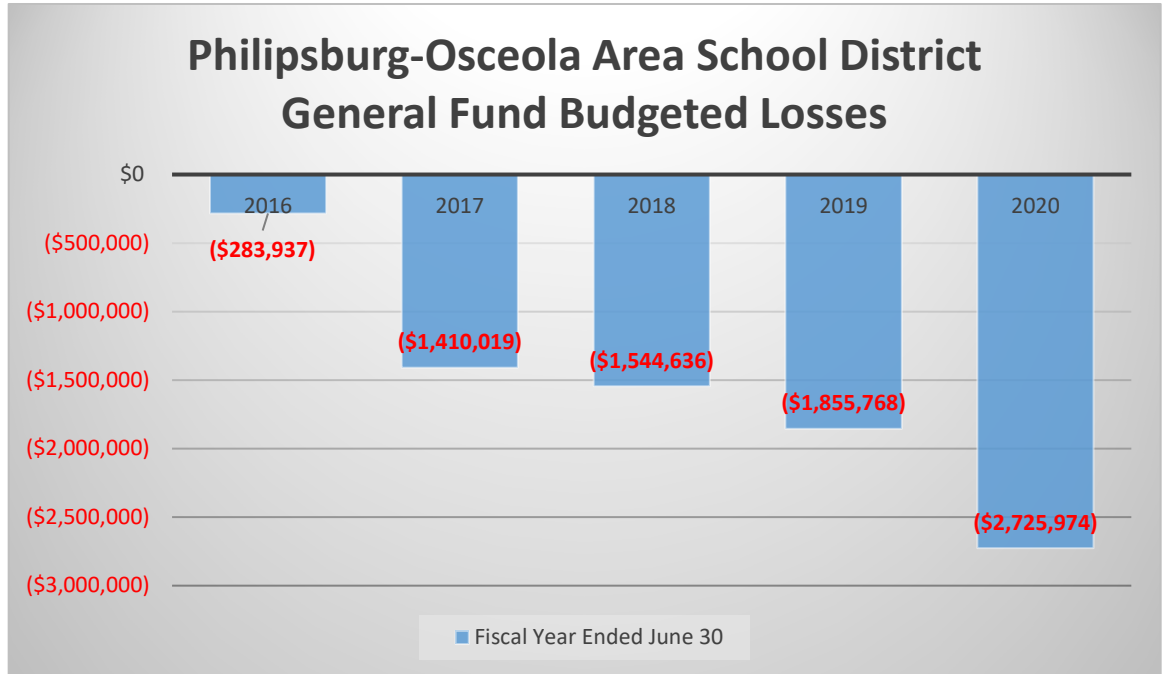
The Public School Code (PSC) requires all school districts to annually develop a general fund budget. In addition, the PSC prohibits school districts from spending more than the amount budgeted. As illustrated in Table 3, the District was not in compliance with the PSC when its actual expenses exceeded its budgeted expenses for four out of the five years reviewed.

**Table 3**

<b>Philipsburg-Osceola Area School District General Fund Total Expenditures Budget to Actual Comparison</b>			
<b>Fiscal Year Ended June 30</b>	<b>Actual Expenditures</b>	<b>Budgeted Expenditures</b>	<b>(Under)/Over Budget</b>
<b>2016</b>	\$27,191,627	\$29,918,524	(\$2,726,897)
<b>2017</b>	\$31,496,144	\$30,267,643	\$1,228,501
<b>2018</b>	\$33,127,846	\$31,061,366	\$2,066,480
<b>2019</b>	\$32,942,699	\$31,598,660	\$1,344,039
<b>2020</b>	\$33,514,851	\$33,142,228	\$372,623
<b>Total</b>	<b>\$158,273,167</b>	<b>\$155,988,421</b>	<b>\$2,284,746</b>

The District budgeted for net losses during the audit period which indicates that the District intended on using the District’s reserves to subsidize operations. This financial strategy will be unsustainable going forward when the significant decrease in the District’s General Fund balance is considered.

**Chart 3**



It is important for the District to accurately budget expenditures due to its direct impact on the budgeted General Fund balance. The budgeted General Fund balance is integral to the discussion of millage rate modifications and operational changes, and it is essential that this number be as accurate as possible.

**Conclusion**

In summary, the District’s financial position declined significantly over the review period. Specifically, the District had a cumulative operating deficit and it consistently budgeted for an operating loss. The District experienced increasing operational expenditures that exceeded revenue and it transferred over \$5 million from its General Fund to its Capital Fund to pay for the construction of a stadium that was unbudgeted. The District consistently budgeted for operating losses and then compounded the issue by spending more than the budgeted amount in noncompliance with the PSC. In addition, the District’s current ratio decreased by more than half. It will be imperative for the District to reduce costs or obtain additional revenue to increase its General Fund balance. To help ensure a secure financial position going forward, the District must develop more accurate and realistic budgets and make significant operational changes to reverse the financial downturn of the District that occurred during our review period.

## **Recommendations**

The *Philipsburg-Osceola Area School District* should:

1. Prepare a multi-year budget that reduces expenditures or increases revenue to allow the District to achieve operating surpluses.
2. Monitor the approved fiscal budget in comparison to actual revenues and expenses and report to the Board of School Directors (Board) any cost overruns or revenue shortfalls to allow the Board to make necessary adjustments as needed.

## **Management Response**

District management provided the following response:

“The District agrees with the recommendation of preparing multi-year budgets and preparing annual budgets with PDE that accurately reflect actual revenues and expenditures. The District increased its local real estate tax rates to increase its local share of revenues for the 2021-22 fiscal year. The preliminary 2020-21 fiscal year results appear to have a surplus. The District will continue to maximize their revenue through timely submissions with the State to receive and recognize its state share of revenues. The District is also utilizing the Federal ESSER grant funds to supplant applicable current expenses.”

## **Auditor Conclusion**

We are pleased that the District has agreed to implement our audit recommendations. We will review the District’s corrective actions during our next audit of the District.

## Finding No. 2

## The District's Failure to Implement Adequate Internal Controls Resulted in a Net \$28,583 Overpayment to the District

### *Criteria relevant to the finding:*

#### **Student Transportation Subsidy**

Section 2541(a) of the 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).

#### **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 is 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 Department of Education 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.

We found that the District did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. The failure to implement internal controls led to multiple inaccuracies in the transportation data reported to PDE. Consequently, the District was overpaid a net total of \$28,583 in regular transportation reimbursements for the 2015-16 through 2018-19 school years.

### **Background**

School districts receive two separate transportation reimbursement payments from 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 identified in this finding pertain to the District's regular transportation reimbursements.

Since the above listed components are integral to the calculation of the District's transportation reimbursements, it is essential that the District properly record, calculate, and report transportation data to PDE. Therefore, the District should have a strong system of internal control over transportation operations that should include, but not be limited to, the following:

- Segregation of duties.
- Comprehensive written procedures.
- Training on PDE reporting requirements.
- Training on the District's transportation software.

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>10</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

<sup>10</sup> See 24 P.S. § 25-2543.

*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/eTransp%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf>

(accessed July 13, 2021)

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 sample average.

implemented an adequate control system to provide it with the confidence it needs to sign the sworn statement.

## **Regular Transportation Reporting Errors**

PDE guidelines state that 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 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. Districts are also required to report the number of days each vehicle transported students.

We found that the District failed to report 13 vehicles used to transport students in the 2015-16, 2016-17, and 2017-18 school years. The failure to report the vehicles led to the District underreporting the number of miles traveled, days in service, and number of students transported during these school years. The failure to report the vehicles along with the key data elements resulted in the District not receiving the full transportation reimbursement it was eligible to receive during these school years.

During the 2018-19 school year, the District made a systemic reporting error that involved 43 of the District's 50 vehicles used to transport students during that school year. Due to a mileage data entry error, the District overreported the number of miles traveled to transport students. More specifically, the District failed to enter an end date when revising mileage totals for vehicles that made route changes during the school year. Without an end date for these vehicles, the transportation software summed all mileage entries which resulted in the significant overreporting of mileage for that year. The District also made a minor error in reporting the number of students transported during the 2018-19 school year because it failed to follow PDE's instructions to report the greatest number of students assigned to a vehicle. Similar errors were made in reporting the number of students for two vehicles in the 2017-18 school year.

We summarized the errors for the audit period and calculated the total amount of regular transportation reimbursements that the District was overpaid/underpaid in the table below.

**Table 1**

Philipsburg-Osceola Area School District Transportation Data Inaccurately Reported to PDE					
School Year	Miles Over/(Under) Reported	Students Over/(Under) Reported	Days (Under) Reported	Vehicles Not Reported	Over/(Under) Payment
2015-16	(957.2)	(36.2)	(943)	6	(\$ 173,603)
2016-17	(664.1)	(23.5)	(484)	4	(\$ 80,799)
2017-18	(69.9)	(15.4)	(356)	3	(\$ 20,136)
2018-19	788.8	6.7	-	-	\$ 299,353
<b>Total:</b>	<b>(902.4)</b>	<b>(68.4)</b>	<b>(1,783)</b>	<b>13</b>	<b>\$ 24,815</b>

*Criteria relevant to the finding (continued):*

Number of Days – Report the number of days (a whole number) this vehicle provided to and from school transportation. Count any part of a day as one day. Depending upon the service the vehicle provided, this number could exceed or be less than the number of days the district was in session: however, summer school or “Extended School Year” (Armstrong v. Kline) transportation may not be included in this number. “Early Intervention” program transportation may be included). If the district received a waiver of instructional days due to a natural or other disaster (such as a hurricane), the waiver does not extend to transportation services. Only days on which transportation was actually provided may be reported.

*Errors in the Number of Students Eligible for Reimbursement*

Students transported are classified into multiple reporting categories, including students transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route. 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.

The District reported 35 students during the audit period as reimbursable due to residing on a PennDOT determined hazardous walking route. However, the District was unable to provide us with a list of students that agreed to the number reported to PDE. Additionally, the District was unable to provide us with the hazardous walking route determinations from PennDOT. When we questioned the District about how it determined these students should be reported as reimbursable due to residing on a hazardous walking route, District officials stated that hazardous route determinations were made internally. The determination was based on whether a van was needed to transport the student rather than a bus because of a steep hill or busy roadway. We found that the District employee responsible for making this determination and reporting this data was not properly trained on PDE reporting requirements.

*Criteria relevant to the finding (continued):*

**Non-reimbursable Pupils –**

Non-reimbursable students are 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 determined by the Pennsylvania Department of Transportation (PennDOT) to be hazardous. See 24 P.S. § 25-2541(b)(1).

**Hazardous 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).

Table 2 below documents the overpayment the District received for inaccurately reporting these students as reimbursable.

**Table 2**

<b>Philipsburg-Osceola Area School District Hazardous Route Transportation Data</b>		
<b>School Year</b>	<b>Number of Students Inaccurately Reported to PDE</b>	<b>Overpayment</b>
<b>2015-16</b>	8	\$ 819
<b>2016-17</b>	16	\$1,733
<b>2017-18</b>	7	\$ 796
<b>2018-19</b>	4	\$ 420
<b>Total</b>	<b>35</b>	<b>\$3,768</b>

The multiple transportation data reporting errors we identified in this finding that resulted in over/under payments, along with the District’s explanations for the cause of the errors, highlight the need for strong internal controls over the transportation data reporting process.

**Significant Internal Control Deficiencies**

Our review revealed that the District did not have an adequate internal control system over the process of inputting, calculating, and reporting regular 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.
- Ensure that the employee responsible for entering transportation data in the District’s transportation software was adequately trained on how to use the software.
- Implement adequate segregation of duties when it assigned responsibility to one employee for inputting, calculating, and reporting regular transportation data to PDE without ensuring that another employee reviewed the data before it was submitted to PDE.
- Ensure that it obtained hazardous route determinations from PennDOT and verified that the home address for all students transported and reported as eligible due to residing on a hazardous walking route are actually located on a hazardous route prior to being reported to PDE.

These internal control deficiencies led to the multiple reporting errors discussed in this finding and the resulting \$28,583 net overpayment to the District. The monetary effect of the errors we identified demonstrate the importance of strong internal controls over the transportation data reporting system.

Future Reimbursement Adjustment: We provided PDE with reports detailing the transportation data reporting errors for the 2015-16 through 2018-19 school year. We recommend that PDE adjust the District's future transportation reimbursement amount to recover the \$28,583 that we identified as overpayments.

## **Recommendations**

The *Philipsburg-Osceola Area School District* should:

1. Develop and implement an internal control system over its regular transportation data reporting process. The internal control system should include, but not be limited to, the following:
  - All personnel involved in regular transportation data reporting are trained on PDE's reporting requirements.
  - All personnel involved in entering transportation data are trained on using the District's transportation software.
  - A review of transportation data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
  - Comprehensive written procedures are developed to help ensure accurate reporting of the regular transportation data.
2. Reconcile each student transported and reported as reimbursable due to residing on a hazardous walking route to PennDOT supporting documentation prior to reporting these students to PDE.
3. Review transportation data reported to PDE for the 2019-20 school year to determine if similar errors were made and, if necessary, submit a revised report(s) to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future transportation subsidy to resolve the \$28,583 overpayment for regular transportation reimbursements.

## **Management Response**

District management provided the following response:

1. "The cause of the problem outlined in recommendation #1 was due to a lack of internal controls. The District will develop written procedures that document the reporting process and steps necessary to report the regular transportation accurately. The District will also require all personnel involved in the regular transportation data reporting to have proper training on PDE's reporting requirements and the District's transportation software. We will also make sure that there is proper segregation of duties as it relates to who enters and who



reviews the data that is submitted to PDE. Lastly, the Director of Finance will review all data for accuracy prior to the Transportation Director submitting to PDE.

2. The next issue in recommendation #2 was caused by the student data not being reviewed before submitting this information to PDE. During the review, all student's information will be reconciled to the data being submitted to PDE for reimbursement. Specifically, students residing on a hazardous walking route will be reviewed for supporting documentation prior to reporting these students to PDE.
3. The last issue noted in recommendation #3 is related to recommendation #1 and the lack of review of data prior to submitting to PDE. The 2019-20 transportation data will be reviewed by the Director of Finance to determine that the data submitted to PDE was accurate. If any errors are discovered, a revised report will be submitted to PDE. Future reports will all be reviewed and compared to prior year reports and the transportations software to determine reasonableness and accuracy of the data reported to PDE.”

### **Auditor Conclusion**

We are pleased that the District has agreed to implement all of our audit recommendations. We will review the District’s corrective actions during our next audit of the District.

### Finding No. 3

## The District's Failure to Implement Adequate Internal Controls Resulted in the District Failing to Apply for \$572,583 in Reimbursements From PDE for Approved Construction Projects

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

Subsection (a) of Section 2575 (relating to Payments on account of leases hereafter approved and on account of sinking fund charges...) of the PSC provides, in relevant part: "The Commonwealth shall pay annually to each school district erecting or sharing in the erection of a building or buildings. . . on account of buildings for which the lease is approved. . . an amount to be determined by multiplying the District's capital account reimbursement fraction computed for the year 1967 or aid ratio whichever is larger by the approved reimbursable rental or approved reimbursable sinking fund charge." See 24 P.S. § 25-2575(a).

Section 2576 (relating to Approval of Department...) of the PSC provides for the payment of rental and sinking fund reimbursement to districts only after the related building project and payment schedule have been approved by PDE. See 24 P.S. § 25-2576.

We found that the District did not implement an adequate internal control system over its requests for reimbursement from PDE for its construction project costs. Due to a lack of internal controls, the District failed to file for reimbursements totaling \$572,583 for costs associated with major construction projects. In addition, the District's failure to file other applications timely resulted in a delay in receiving revenues of \$460,052.

**Background:** School districts are eligible for reimbursements from the Commonwealth through PDE when a district finances with cash or borrows money to build/renovate district facilities.<sup>11</sup> To be eligible for reimbursement, each district must submit the details of the project to PDE and PDE must approve the project. Once the project is approved, districts can submit requests for reimbursement when principal and interest payments are made on General Obligation Bond (bond) issues relating to the project's financing. If a project is financed with cash (i.e., without the issuance of debt), the District can file for reimbursement for these payments. Districts are not reimbursed in full for their costs, but are reimbursed for a portion of the costs based on a reimbursable percentage and the aid ratio, both of which are set by PDE.<sup>12</sup>

It is essential for school districts to submit accurate and timely applications for reimbursements of debt service and cash payments made on qualified construction projects. Accurate and timely filings for reimbursement from the Commonwealth, will assist in offsetting the costs of major renovations at the District, thereby reducing the tax burden on its community, including its resident taxpayers. Therefore, school districts should have a strong system of internal controls over this process that should include, but not be limited to, the following:

<sup>11</sup> See Subsection (a) of Section 2575 (relating to Payments on account of leases hereafter approved and on account of sinking fund charges...) of the PSC. See 24 P.S. § 25-2575(a).

<sup>12</sup> *Aid Ratio* is a measure of local wealth that has been used in several education funding formulas for decades. The measure has a scale of 0.15 to 1, and it reflects the general wealth of the school district based on a school district's total market value and personal income per student in comparison to the state total market value and personal income per student. A school district with a low aid ratio is relatively wealthy while a high aid ratio reflects a lower level of local wealth. <https://www.pasbo.org>. [The reimbursable percentage is set by PDE during the project approval process.](#)

*Criteria relevant to the finding (continued):*

**The United States Government Accountability Office's (GAO)** issued *Standards for Internal Control in the Federal Government* issued in September 2014, which provides the overall framework for establishing and maintaining an effective internal control system. The Green Book sets the standard for internal control framework for state, local, and quasi-governmental entities, as well as not-for-profit organizations.

The GAO state that "Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system."

- Written policies and procedures.
- Segregation of duties, so that no single employee has complete control over the process.
- Reconciliation of debt service payments to applications filed with PDE for reimbursement.

### **Failure to File Applications for Reimbursements Totaling \$572,583**

The District issued a bond and the proceeds were used to fund a District construction project (Project A). The principal and interest payments (i.e., debt service payments) made by the District to the lending institution related to this bond were partially reimbursable by the Commonwealth through PDE. Additionally, the District used cash to renovate its middle school and this payment was also partially reimbursable (Project B).

We found that as of March 2021, the District had not submitted applications for reimbursement to PDE for: (1) principal and interest payments totaling \$38,014 that were made on an outstanding bond issue for Project A and (2) cash payments totaling \$534,569 for Project B. The table below shows the dates and amounts of the District's debt service and cash payments related to PDE's approved construction projects and the calculated reimbursement the District was eligible to receive.

<b>Philipsburg-Osceola Area School District Outstanding Applications for PDE Reimbursement</b>					
<b>Project</b>	<b>Date of District Payment (a)</b>	<b>Debt Service or Cash Lump Sum Payment Amount (b)</b>	<b>Reimbursable Percentage (c)</b>	<b>Aid Ratio (d)</b>	<b>Eligible Reimbursement Amount = (b x c x d)</b>
<b>A</b>	10/1/2015	\$ 233,319	24.02%	.6783	\$ 38,014
<b>B</b>	6/1/2015	\$3,256,533	24.02%	.6834	\$534,569
	<b>Total</b>	<b>\$3,489,852</b>		<b>Total</b>	<b>\$572,583</b>

Due to a lack of oversight, District officials were unaware that the applications for reimbursement were never completed and submitted to PDE. After we brought this issue to a District official's attention, the District filed the necessary applications and subsequently received the reimbursements in June 2021. Without our audit, the District may have never received more than half a million dollars it was eligible to receive.

### **Failure to File Applications Timely Resulted in Delay in Receipt of \$460,052**

In addition to failing to apply for reimbursement, the District did not submit applications for reimbursement timely for payments made on two

*Criteria relevant to the finding  
(continued):*

Principle 10: Management should design control activities to achieve objectives and respond to risks. Examples of common categories of control activities:

- Top-level review of actual performance
- Reviews by management at the functional or activity level
- Controls over information processing
- Segregation of duties

Segregation of duties as explained by GAO, Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event. (page 47)

other bonds. We noted that the District received reimbursements totaling \$460,052 during the 2016-17 school year for debt service payments made as early as 2011. Due to the turnover at the District, District officials were unable to determine the date when PDE confirmed the bonds were eligible for reimbursement; therefore, we could not determine exactly how long the revenue was delayed.

Obtaining eligibility confirmation from PDE is critical because once the District has the official confirmation letter from PDE, it can immediately begin the reimbursement process. It is essential to obtain this confirmation as soon as possible to ensure reimbursement can begin shortly after the bond is issued. Timely reimbursements of the debt service payments reduces the tax burden on taxpayers and enables the District to manage cash flow better and make more informed financial decisions.

### **Failure to File for Permanent Reimbursement Percentages for Additional Projects**

As noted in the background section, school districts are not reimbursed in full for their costs, but are reimbursed for a portion of the costs based on a reimbursable percentage and aid ratio, both set by PDE. Districts initially file for a temporary reimbursement percentage, which is based on estimated costs but subsequently should file for the permanent reimbursement (PlanCon Part J), which is based on actual costs.<sup>13</sup> We found that the District failed to file for a permanent reimbursement percentage for two projects. PlanCon Part J for the high school project was due in March 2005 and the District should have filed PlanCon Part J for the elementary school project by June 2006. By not filing for a permanent reimbursement percentage, the District did not receive the full reimbursement it was eligible to receive, which included reduced reimbursements received during the audit period. Consequently, the District had to use other revenues to offset the construction costs for these two projects.

### **Significant Internal Control Deficiencies**

The District did not develop and implement written procedures to ensure that complete, accurate, and timely reimbursement applications for debt service payments were filed with PDE. The former business manager was responsible for making debt service payments, as well as processing reimbursement applications to PDE. The District relied solely on that one employee, without any additional oversight, to ensure that it was timely and accurately reimbursed by the Commonwealth for its construction costs.

<sup>13</sup> PlanCon Part J must be submitted within 3 years of the date the bids were received on the project unless an extension was granted. Part J must be submitted in the specified time or the temporary reimbursable percent(s) may become the permanent reimbursable percent(s) for the lease numbers assigned to the project. After the permanent reimbursable percent is assigned, the Commonwealth will calculate the retroactive reimbursement, if any, and make a lump sum payment. PlanCon Part J: Project Accounting Based on Final Costs.

While our testing identified only two missed reimbursement applications, we also noted other missed or untimely requests for reimbursements. The District's failure to timely apply for reimbursements resulted in an undetermined delay in receipt of more than \$460,000 in revenue, and prevented the District from utilizing these funds for operational purposes over that period. The deficiencies we identified could continue to impact the District's revenue stream if internal control weaknesses are not corrected. Developing and implementing clear written policies and procedures should help ensure reimbursement applications are filed with PDE timely and that all available revenues are considered when developing the District's annual budget.

### **Recommendations**

The *Philipsburg-Osceola Area School District* should:

1. Develop written procedures over filing for PDE reimbursements for construction projects in accordance with the PSC. Ensure that these procedures include adequate segregation of duties so that no single administrator has complete autonomy over the process.
2. Submit final cost data to PDE for the two projects cited in this finding so the District can receive a permanent reimbursement percentage that is based on actual costs instead of a temporary reimbursable percentage that was based on estimated costs.
3. Ensure employees responsible for applying for construction reimbursements are adequately trained on PDE's requirements and guidelines.

### **Management Response**

District management provided the following response:

1. "The cause of the problem outlined in recommendation #1 was due to a lack of internal controls. The District will develop written procedures for filing PDE reimbursements for construction projects timely and accurately. The District will also require all personnel involved to have proper training on PDE's reporting requirements for reimbursements for construction projects. We will also make sure that there is proper segregation of duties as it relates to who enters and who reviews the data that is submitted to PDE.
2. The District will submit final cost data for the two projects cited in the finding to PDE."

### **Auditor Conclusion**

We are pleased that the District has agreed to implement our audit recommendations. We will review the District's corrective actions during our next audit of the District.

## Finding No. 4

# The District's Failure to Implement Adequate Internal Controls Led to Inaccurate Reporting and a Health Service Reimbursement Underpayment of \$11,834

### Criteria relevant to the finding:

Sections 2505.1(a) and (a.1) of the PSC provides for reimbursement of actual costs of health services, with a maximum reimbursement of: 1) \$1.60 for medical services, 2) \$.80 for dental services, 3) \$2.00 for dental hygienists, and 4) \$7.00 for nurse services for each child enrolled in a school for the entire term, and a proportionate share for each child enrolled for part of the school term. In addition, pursuant to Section 2501.1(b.1) of the PSC (under the authority of Act 25 of 1991 which was the last legislative act to amend Section 2505.1 of the PSC), districts receive an additional noncategorized health services reimbursement of \$9.70 per Average Daily Membership. See 24 P.S. §§ 25-2505.1(a), (a.1), and (b.1).

Section 2505.1(b) of the PSC states, in part: "Reimbursement on account of health services rendered by a school district or joint school board may be withheld by the Secretary of Health unless the actual expenditures for the health services are certified to the Secretary of Health within three months after the end of the school year during which the payment for the service was made by the school district or joint school board." See 24 P.S. § 25-2505.1(b).

We found that the District failed to implement adequate internal controls overreporting health services data to the Pennsylvania Department of Health (DOH). The District's failure to implement internal controls resulted in the District underreporting student data which led to the District receiving \$11,834 less than it was entitled to receive for its health services reimbursement for the 2015-16 school year.<sup>14</sup>

**Background:** The PSC requires school districts that render health services to students to report annual health services costs and the District's annual "average daily membership" (ADM) to DOH using the *School Health Annual Reimbursement Request System* (SHARRS).<sup>15</sup> In turn, DOH provides reimbursements of certain costs, depending on the types of services the school district provides, up to a maximum per ADM rate as shown in Figure 1 below.<sup>16</sup>

Figure 1

Philipsburg-Osceola Area School District Health Services Reimbursement Rates (Established by the PSC)	
Type of Service	Rate Per ADM
Medical Services	\$1.60
Dental Services	\$.80
Nursing Services	\$7.00
Dental Hygienist Services	\$2.00
Act 25 Health Services	\$9.70

Because school districts are eligible for reimbursement for certain health service costs, it is essential for the District to properly calculate and report both annual ADM's and health services costs to DOH. It is also important that the District annually file information in SHARRS timely to ensure reimbursements are received promptly. Therefore, the District should have a strong system of internal control over its reporting of health services data that should include, but not be limited to, the following:

- Training on reporting requirements.

<sup>14</sup> We found that the District was accurately reimbursed for health services in the 2016-17, 2017-18, and 2018-19 school years.

<sup>15</sup> The PSC mandates the amount of the reimbursement for different types of health services to be based on a pre-established dollar rate multiplied by the *average daily membership* (ADM). ADM is defined by PDE in its "Glossary of Child Accounting Terms" as "The average number of students in membership during the reporting period (aggregate days membership divided by days in session)." <https://www.education.pa.gov/Teachers%20-%20Administrators/Child%20Accounting/Pages/Glossary-of-Terms.aspx> Accessed on 5/26/2021.

<sup>16</sup> 24 P.S. § 25-2505.1.

- Written policies and procedures.
- Segregation of duties.

### Inaccurate Reporting of District ADM's

We reviewed the health services data that the District reported to DOH for all four years of the audit period. We found that, for the 2015-16 school year, the District reported an incorrect ADM and as a result the District's total reimbursement amount was negatively impacted. We calculated that the District did not receive more than \$11,000 in health service reimbursements it was entitled to receive. The details of our review are shown in the table below.

**Table**

<b>Philipsburg-Osceola Area School District 2015-16 Health Services Reimbursement Data</b>			
<b>Type of Service</b>	<b>Rate Per ADM</b>	<b>Under-reported ADM<sup>17</sup></b>	<b>Underpayment</b>
<b>Medical</b>	\$1.60	619.561	\$ 991
<b>Dental</b>	\$0.80	619.561	\$ 496
<b>Nursing Services</b>	\$7.00	619.561	\$4,337
<b>Act 25</b>	\$9.70	619.561	\$6,010
<b>Total</b>			<b>\$11,834</b>

According to the District, the former business manager was responsible for compiling the required information and entering the relevant data into SHARRS. The District Superintendent was responsible for reporting this data to DOH; however, we learned that the Superintendent did not review the data before it was submitted. We noted that ADM data for the 2015-16 school year was accurately reported in other forms submitted to PDE, but District officials could not explain why the ADM data reported to DOH for the 2015-16 school year was incorrect. Specifically, we found that the ADM data was reported accurately on the District's *Instructional Time and Membership Report* (ITMR) for this time period.<sup>18</sup> A review of ADM data reported on the District's ITMR compared with the ADM data entered into SHARRS should have revealed the errors we identified.

### Untimely Filing for Reimbursement

In addition to the errors we noted related to the health services reimbursement data for 2015-16 school year, we also found that the District was not timely in submitting its 2014-15 SHARRS report to DOH. Untimely filings results in delayed reimbursements which may impact financial operations.

The PSC allows DOH to withhold reimbursements from school districts if

<sup>17</sup> The District incorrectly reported an ADM of 1,118.314. The correct ADM was 1,737.875 for a difference of 619.561.

<sup>18</sup> The *Instructional Time and Membership Report* is a report submitted to PDE detailing the District's Average Daily Membership by grade level.



their actual expenditures are not certified to the Secretary of Health “within three months after the end of the school year during which the payment for the service was made by the school district or joint school board.”<sup>19</sup> The District did not submit its 2014-15 SHARRS report until January 6, 2016, and the District did not receive its reimbursement until October 24, 2016.

### **Significant Internal Control Deficiencies**

Our review revealed that the District did not have an adequate internal control system over the process of obtaining and reporting health service reimbursement data to DOH.

Specifically, we found that the District did not do the following:

- Ensure that the employee responsible for reporting health service reimbursement data to DOH was adequately trained on the reporting requirements.
- Ensure that an employee other than the employee responsible for reporting health service reimbursement data to DOH reviewed the data before it was submitted to DOH.
- Develop detailed written procedures for entering data in SHARRS to accurately report data to DOH.
- Ensure that a reconciliation is performed between ADM data entered into the SHARRS report and ADM data reported on the ITMR.

The above internal control deficiencies led to the errors we found in the health service data reported to DOH and resulted in an \$11,834 underpayment to the District.

Future Reimbursement Adjustment: We provided DOH with a report detailing the health service reimbursement reporting errors for the 2015-16 school year. We recommend that DOH adjust the District’s future reimbursement amounts by the \$11,834 that we identified as an underpayment.

### **Recommendations**

The *Philipsburg-Osceola Area School District* should:

1. Develop and implement an internal control system over obtaining and reporting health service reimbursement data. The internal control system should include, but not be limited to, the following:
  - All personnel involved in obtaining and reporting health service reimbursement data are trained on reporting requirements.

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<sup>19</sup> 24 P.S. § 25-2505.1(b).

- A review of health service reimbursement data is conducted by an employee other than the employee who prepared the data before it is submitted to DOH.
  - Comprehensive written procedures are developed that include procedures for obtaining ADM data and timely filing data in SHARRS.
2. Implement a reconciliation of ADM data entered into SHARRS to ADM data reported on the ITMR.

The *Pennsylvania Department of Health* should:

3. Adjust the District's future health services reimbursements to resolve the underpayment of \$11,834.

### **Management Response**

District management provided the following response:

1. "The cause of the problem outlined in recommendation #1 was due to a lack of internal controls. The District will develop written procedures that document the reporting process and steps necessary for obtaining ADM data and filing the SHAARS data on time. The District will also require all personnel involved in the health service data reporting to have proper training on PDE's reporting requirements. We will also make sure that there is proper segregation of duties as it relates to who prepares and who reviews the data that is submitted to PDE. Lastly, the Director of Finance will review all data prepared by the Head Nurse for accuracy.
2. The issue in recommendation #2 was due to the lack of a reconciliation process. The Director of Finance will reconcile ADM data entered into SHARRS to the ADM data reported on the ITMR."

### **Auditor Conclusion**

We are pleased that the District has agreed to implement our audit recommendations. We will review the District's corrective actions during our next audit of the District.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Philipsburg-Osceola Area School District (District) released on January 29, 2016, resulted in one finding, 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 January 29, 2016

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**Prior Finding:**                    **Failure to Obtain Required Background Clearances for Bus Drivers and Lack of Board Approval for Hiring of Bus Drivers**

Prior Finding Summary: During our prior audit of the District's bus driver requirements, we found that beginning in the 2013-14 school year, on the advice of their solicitor, the Board of School Directors (Board) no longer approved bus drivers who transported the District's students. For the period July 1, 2013 through June 30, 2015, the District utilized 15 new drivers through its transportation contractor and the drivers were not approved, as required, by the Board.

Additionally, during our prior audit, we found that the District failed to obtain the federal Criminal History Record Information (CHRI) reports from the Federal Bureau of Investigation for 34 District bus drivers. The failure to obtain the federal CHRIs is in noncompliance with Section 111 of the Public School Code and could result in the District having a school bus driver transporting students who may be ineligible to have direct contact with students.

Prior Recommendations: We recommended that the District should:

1. Immediately obtain approval from the District's Board for the 15 bus drivers cited in the finding and, in the future, obtain approval prior to allowing the driver to have direct contact with the District's students in accordance with State Board of Education regulations.
2. Immediately verify that all required clearances have been obtained, reviewed, and are on file at the District to ensure the safety of District students.
3. Provide training to transportation personnel to enable them to become familiar with the documentation required by law and by school policy to assure that all drivers possess all clearances.

Current Status: We found that the District took corrective action to address all three of our recommendations. On July 14, 2020, the Board approved the District's bus drivers for the 2020-21 school year for both transportation contractors. The Board also approved all of the contracted bus drivers hired during the 2020-21 school year. The District's Transportation Director provided the Excel spreadsheet that was created in 2016 after

the audit which lists all the drivers and the date each clearance was obtained. The Transportation Director attended the Pennsylvania Association of School Business Official's annual conference in 2016 and 2018 as well as Bus Tracks users training in 2017.

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## 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>20</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 Financial Stability, Transportation Operations, Construction Project Reimbursements, Health Service Reimbursements, Bus Driver Requirements, Administrator Separations, 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>21</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>22</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>20</sup> 72 P.S. §§ 402 and 403.

<sup>21</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>22</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>	
<b>1</b>	Demonstrate commitment to integrity and ethical values
<b>2</b>	Exercise oversight responsibility
<b>3</b>	Establish structure, responsibility, and authority
<b>4</b>	Demonstrate commitment to competence
<b>5</b>	Enforce accountability
<b>Risk Assessment</b>	
<b>6</b>	Define objectives and risk tolerances
<b>7</b>	Identify, analyze, and respond to risks
<b>8</b>	Assess fraud risk
<b>9</b>	Identify, analyze, and respond to change

Principle	Description
<b>Control Activities</b>	
<b>10</b>	Design control activities
<b>11</b>	Design activities for the information system
<b>12</b>	Implement control activities
<b>Information and Communication</b>	
<b>13</b>	Use quality information
<b>14</b>	Communicate internally
<b>15</b>	Communicate externally
<b>Monitoring</b>	
<b>16</b>	Perform monitoring activities
<b>17</b>	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
Financial	No																	
Transportation	Yes				X			X	X		X		X	X	X	X	X	
Construction Project Reimbursement	Yes				X			X	X		X		X	X	X	X	X	
Health Services Reimbursement	Yes				X			X	X		X		X	X	X	X	X	
Bus Drivers	Yes										X		X			X	X	
Administrator Separations	Yes										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.

**Financial Stability**

- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District’s budget?

- ✓ To address this objective, we reviewed the District’s annual financial reports, General Fund budgets, and independent auditor’s reports for the 2015-16 through 2019-20 fiscal years. The financial and statistical data was used to calculate the District’s General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District’s financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum of Education Statistics. In addition, we reviewed board meeting minutes and interviewed District personnel.

**Conclusion:** The results of our review of this objective are detailed in Finding No. 1 beginning on page 8 of this audit report.

### **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>23</sup>
  - ✓ To address this objective, we assessed the District’s internal controls for obtaining, inputting, processing, and reporting regular transportation data to PDE. We obtained PDE’s Summary of Pupil Transportation Subsidy Reports for the 2015-16 through 2018-19 school years and compared them to the annual transportation summary documents created by the District. We randomly selected for detailed testing, 10 of the 37 vehicles used to transport students during the 2015-16 school year, randomly selected 10 of the 39 vehicles in the 2016-17 school year, randomly selected 10 of the 44 vehicles in the 2017-18 school year, and selected all 45 vehicles used to transport students during the 2018-19 school year.<sup>24</sup> For the vehicles selected, we obtained monthly odometer readings and school rosters and determined if the District accurately calculated and reported the mileage and student data to PDE for use in the regular transportation reimbursement calculation.
  - ✓ Additionally, we assessed the internal controls for categorizing and reporting students who were transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined hazardous walking route. We reviewed all 35 students reported in this classification during the 2015-16 through 2018-19 school years. For each student, we determined whether they resided on a PennDOT determined hazardous walking route and were correctly categorized and reported to PDE.
  - ✓ Finally, we assessed the District’s internal controls for inputting, categorizing, and reporting supplemental transportation data to PDE. We reviewed all 89 nonpublic school students reported to PDE as transported by the District during the audit period. For these students, we requested and obtained individual student requests for transportation to determine whether the District accurately categorized and reported nonpublic school students to PDE.

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<sup>23</sup> See 24 P.S. § 25-2543.

<sup>24</sup> While representative selection is a required factor of audit sampling methodologies, audit sample 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.



**Conclusion:** The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Our results are detailed in Finding No. 2 beginning on page 16 of this report.

### **Construction Projects Reimbursements**

- 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 interviewed District personnel to gain an understanding of the internal controls over filing for construction projects reimbursements and evaluated those controls to determine if they were sufficient to ensure accurate reporting. We obtained the amortization schedules for all reimbursable construction projects during the period of July 1, 2015 through June 30, 2019. We reconciled principal and interest payments made during the audit period to the Independent Auditor’s Report and the Annual Financial Report. We recalculated what the District should have received in subsidy by utilizing the amortization schedules and reimbursable percentage obtained from PDE confirmation letters and compared expected subsidy to reimbursement applications submitted to PDE by the District to determine if applications were accurately and timely filed.

**Conclusion:** The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Our results are detailed in Finding No. 3 beginning on page 22 of this report.

### **Health Services Reimbursements**

- Did the District submit applications for all health services eligible for PDE 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 over the process of obtaining and reporting health service reimbursement data to the Pennsylvania Department of Health (DOH). We reviewed the health service applications and health service vouchers for the 2015-16 through 2018-19 school years. We determined if the average daily membership (ADM) data reported to DOH was accurately reported for the 2015-16 school year by reconciling the ADM data reported to PDE on the *Instructional Time and Membership Reports* to the ADM data reported to DOH. We also determined if the District filed its health service application for reimbursement timely and accurately.

**Conclusion:** The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Our results are detailed in Finding No. 4 beginning on page 27 of this report.

### **Bus Driver Requirements**

- Did the District ensure that all bus drivers transporting District students are approved by the Board of School Directors (Board) and had the required driver’s license, physical exam, training, background

checks, and clearances<sup>25</sup> as outlined in applicable laws?<sup>26</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 reviewing, maintaining, and monitoring the required bus driver qualification documents and procedures for being made aware of who transported students daily. We determined if all drivers were approved by Board. We randomly selected 11 of the 62 drivers transporting District students as of January 4, 2021.<sup>27</sup> We reviewed documentation to determine whether the District complied with the requirements for those bus drivers. We also determined whether the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physical exams.

**Conclusion:** The results of our review of this objective did not disclose any reportable issues or significant internal control concerns.

### **Administrator Separations**

- Did the District provide any individually contracted employees with excessive payments upon separation of employment? Did the District ensure all payroll wages reported to the Public School Employees’ Retirement System (PSERS) were appropriate and accurate?

- ✓ To address this objective, we assessed internal controls for approving, calculating, reviewing, and processing final payouts for administrators at the time of separation from the District. We reviewed the employment contracts, leave records, and payroll records for the only individually contracted administrator who separated from the District during the period of July 1, 2015 through January 22, 2021. We reviewed the final payout to determine if the administrator was compensated in accordance with their contracts. We reviewed to ensure payouts were Board approved and correctly reported to PSERS.

**Conclusion:** The results of our review of this objective did not disclose any reportable issues or significant internal control concerns.

### **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, memorandums of understanding with local law enforcement?<sup>28</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, training schedules, vulnerability assessments, anti-bullying policies, after action reports, and

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<sup>25</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>26</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>27</sup> While representative selection is a required factor of audit sampling methodologies, audit sample methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

<sup>28</sup> Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

memorandums of understanding with local law enforcement to assess whether the District had implemented basic safety practices.

**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>29</sup>

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?<sup>30</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 reviewed the District's fire and security drill documentation for all four of the District's school buildings for the 2018-19 and 2019-20 school years to determine compliance with the Public School Code. We reviewed documentation to determine if the District conducted a security drill for each building in the District within the first 90 days of each school year and if monthly fire and security drills were conducted in accordance with requirements and while school was in session. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the data reported to the supporting documentation to determine the accuracy of the reported data.

**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>29</sup> Other law enforcement agencies include the Pennsylvania State Police, the Attorney General's Office, and local law enforcement agencies with jurisdiction over the District's school buildings.

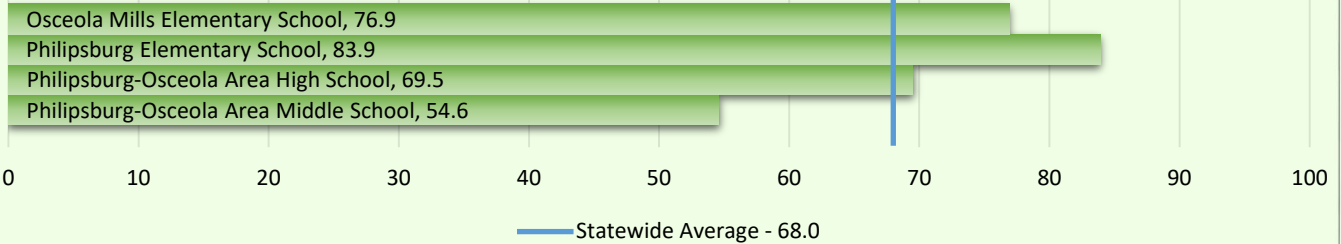
<sup>30</sup> Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

## Appendix B: Academic Detail

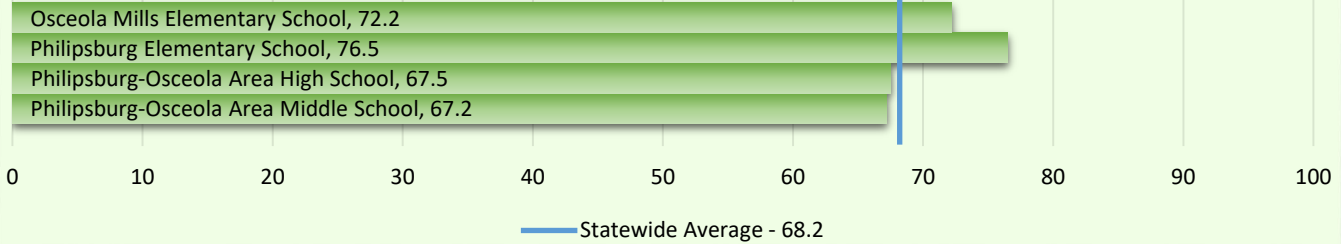
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>31</sup> Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.<sup>32</sup>

### SPP School Scores Compared to Statewide Averages

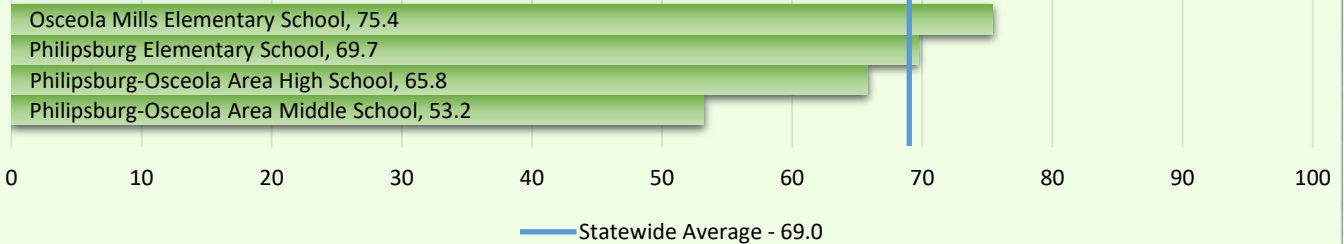
#### 2018-19



#### 2017-18



#### 2016-17

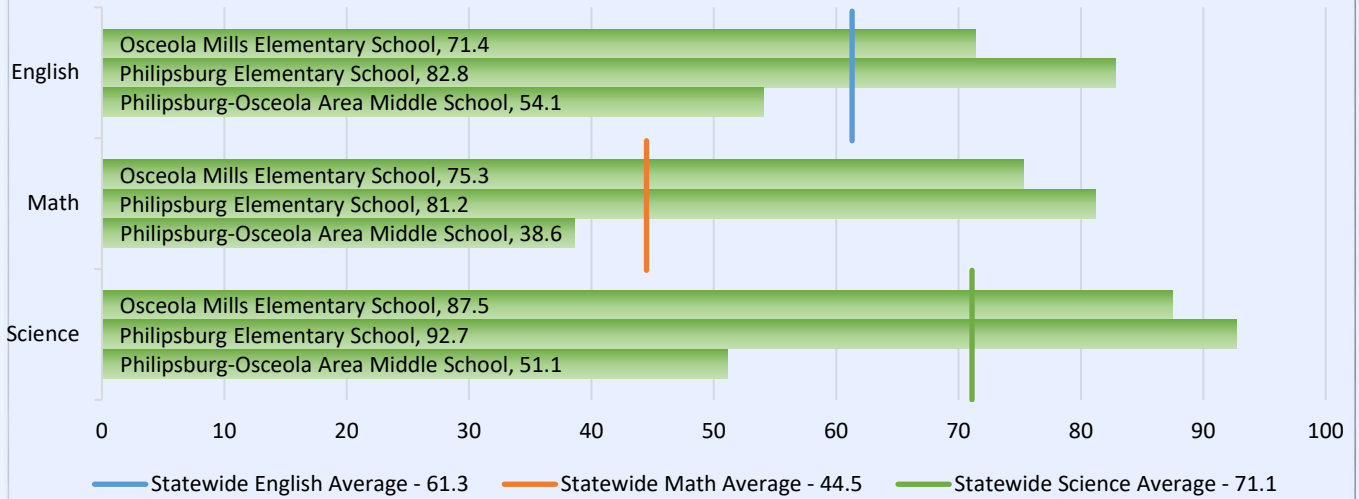


<sup>31</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

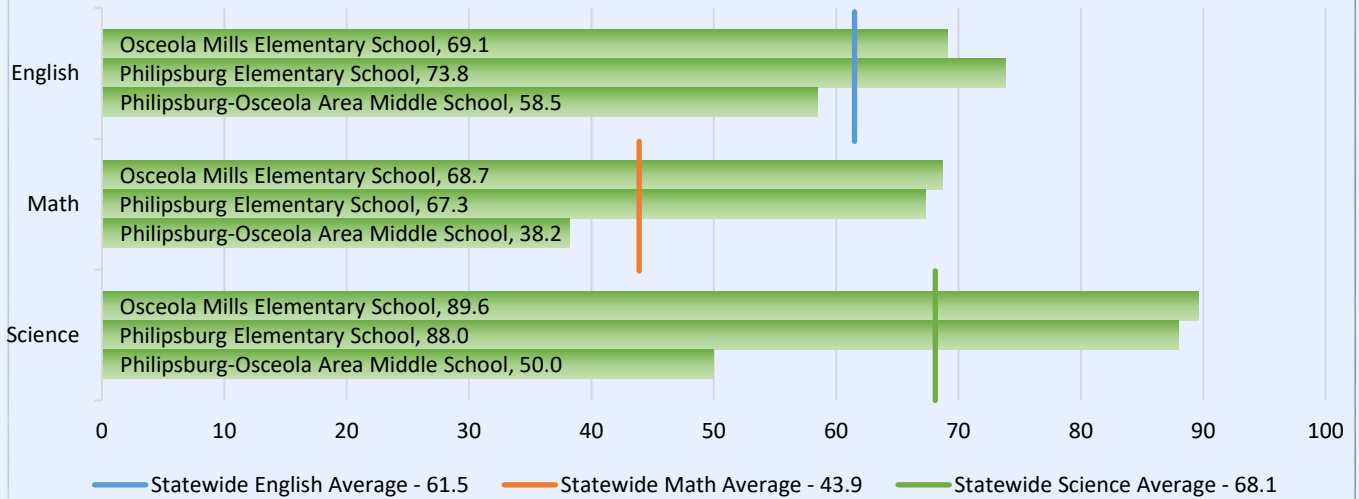
<sup>32</sup> PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

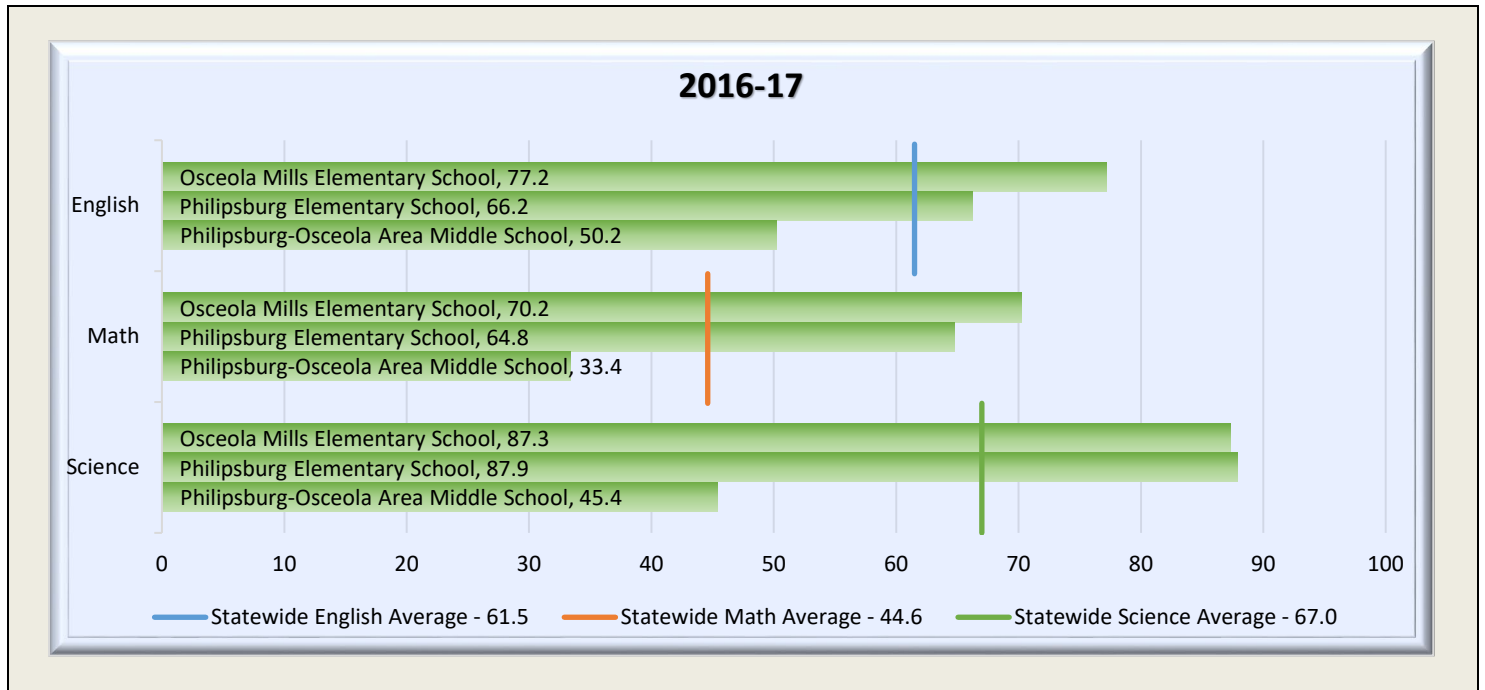
**2018-19**



**2017-18**

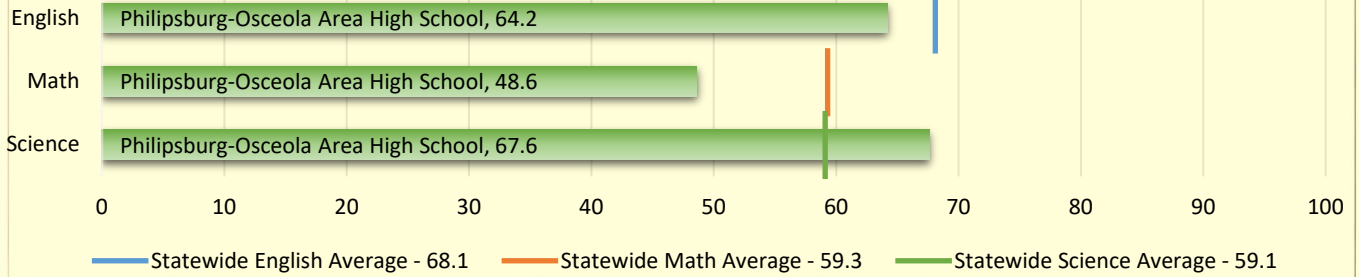


**PSSA Advanced or Proficient Percentage  
School Scores Compared to Statewide Averages (continued)**

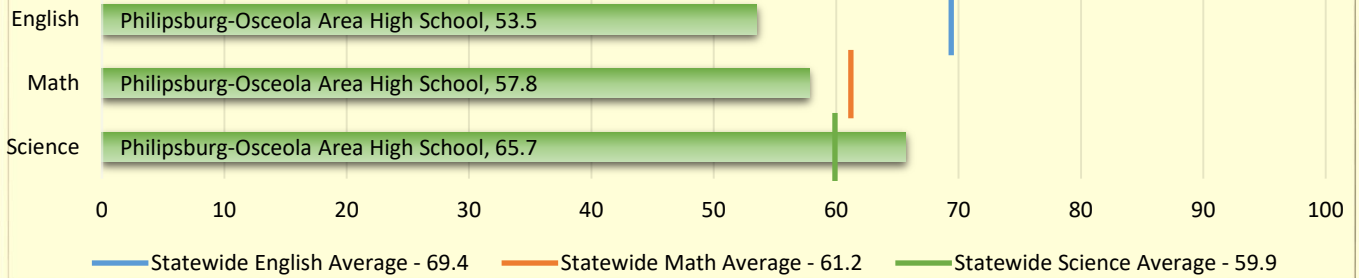


## Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

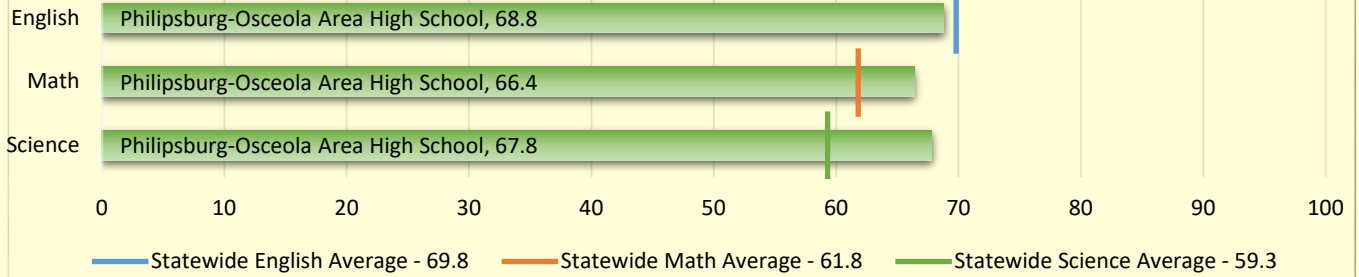
### 2018-19



### 2017-18



### 2016-17



## **Distribution List**

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

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Noe Ortega**

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**The Honorable Stacy Garrity**

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