

LIMITED PROCEDURES ENGAGEMENT

United School District
Indiana County, Pennsylvania

May 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Barbara L. Parkins, Superintendent
United School District
10780 Route 56 Highway East
Armagh, Pennsylvania 15920

Mr. Eric Matava, Board President
United School District
10780 Route 56 Highway East
Armagh, Pennsylvania 15920

Dear Dr. Parkins and Mr. Matava:

We conducted a Limited Procedures Engagement (LPE) of the United School District (District) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period July 1, 2012, through June 30, 2015, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code (72 P.S. §§ 402 and 403), but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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

- Did the District have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - The Right-to-Know Law
 - The Sunshine Act
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the District comply with the relevant requirements in the Right-to-Know Law and the Sunshine Act?

Dr. Barbara L. Parkins

Mr. Eric Matava

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- Did the District correctly calculate and report transportation data to the Pennsylvania Department of Education (PDE)?
- Did the District take appropriate corrective action to address the finding made in our prior audit?

Our engagement found that the District properly implemented policies and procedures for the areas mentioned above and complied, in all significant respects, with relevant requirements except as detailed in the finding in this report.

The finding and our related recommendations have been discussed with the District's management, and their responses are included in the findings and observations section of this letter. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal, administrative requirements, and best practices. We appreciate the District's cooperation during the conduct of the engagement.

Sincerely,



Eugene A. DePasquale
Auditor General

May 19, 2017

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

Background Information

School Characteristics 2015-16 School Year ^A	
County	Indiana
Total Square Miles	131
Resident Population ^B	7,989
Number of School Buildings	2
Total Teachers	87
Total Full or Part-Time Support Staff	40
Total Administrators	7
Total Enrollment for Most Recent School Year	1,083
Intermediate Unit Number	28
District Vo-Tech School	Indiana County Technology Center

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

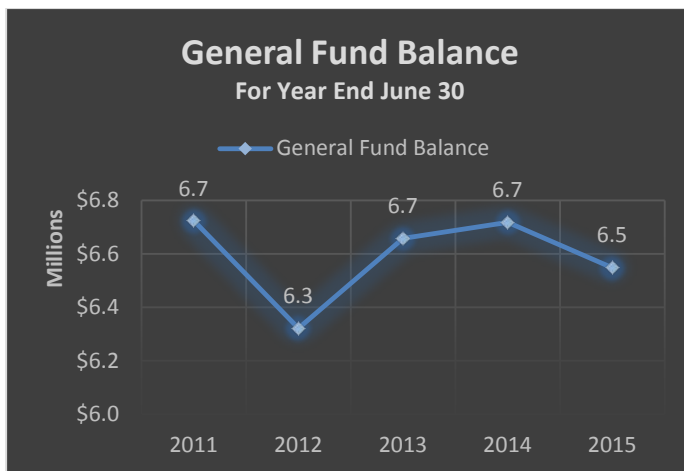
B - Source: United States Census
<http://www.census.gov/2010census>.

Mission Statement^A

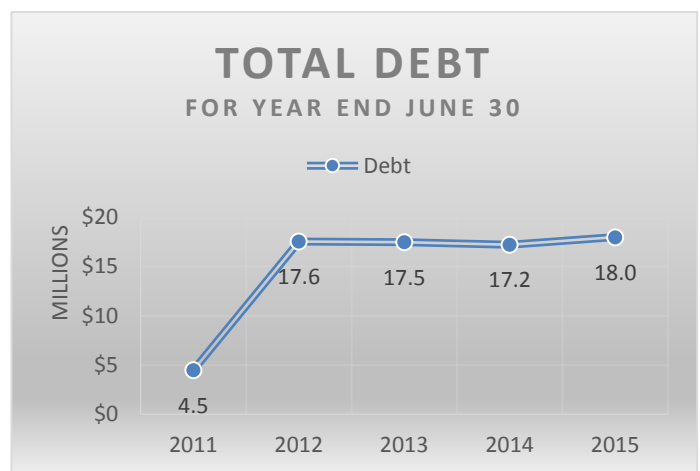
The United Community, preparing our students for tomorrow...today!

Financial Information

The following pages contain financial information about the District obtained from annual financial data reported to PDE and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

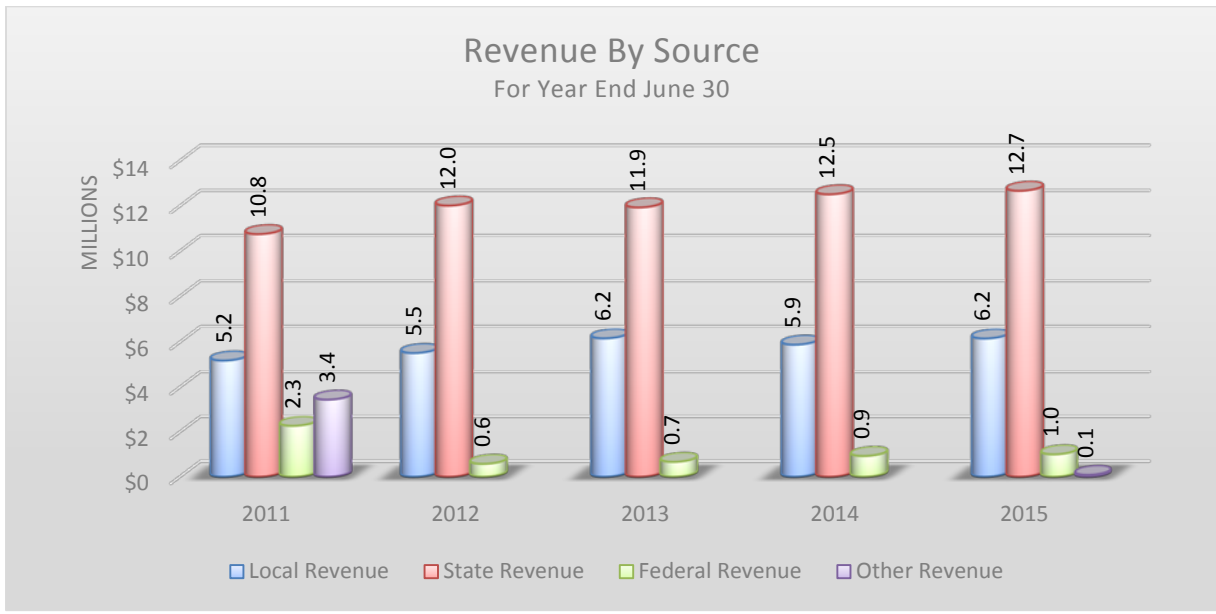
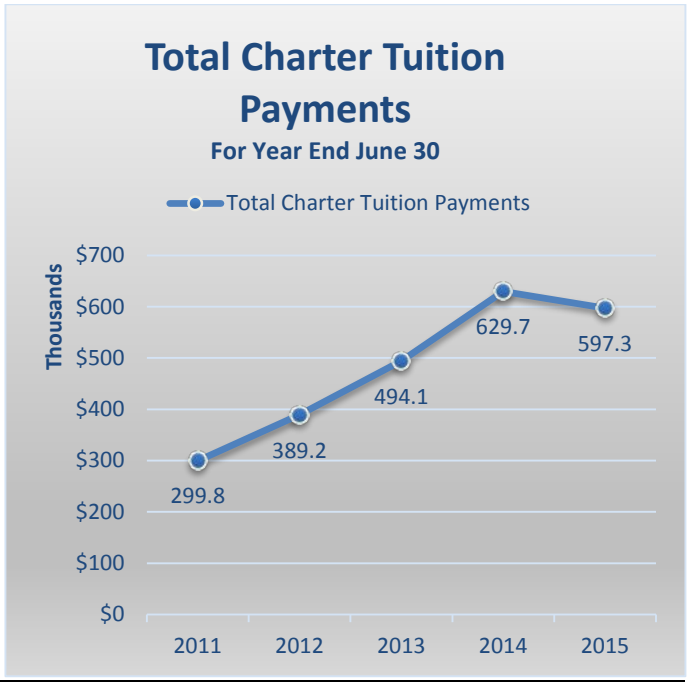
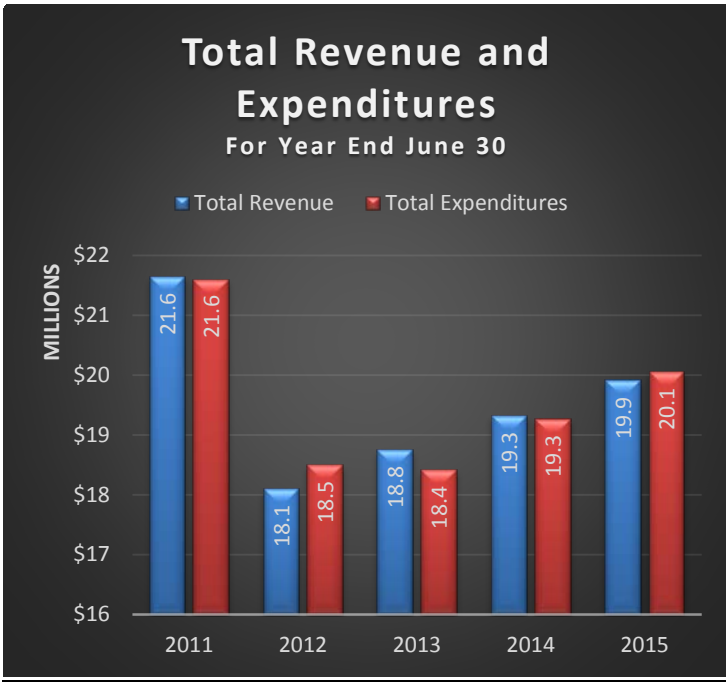


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued



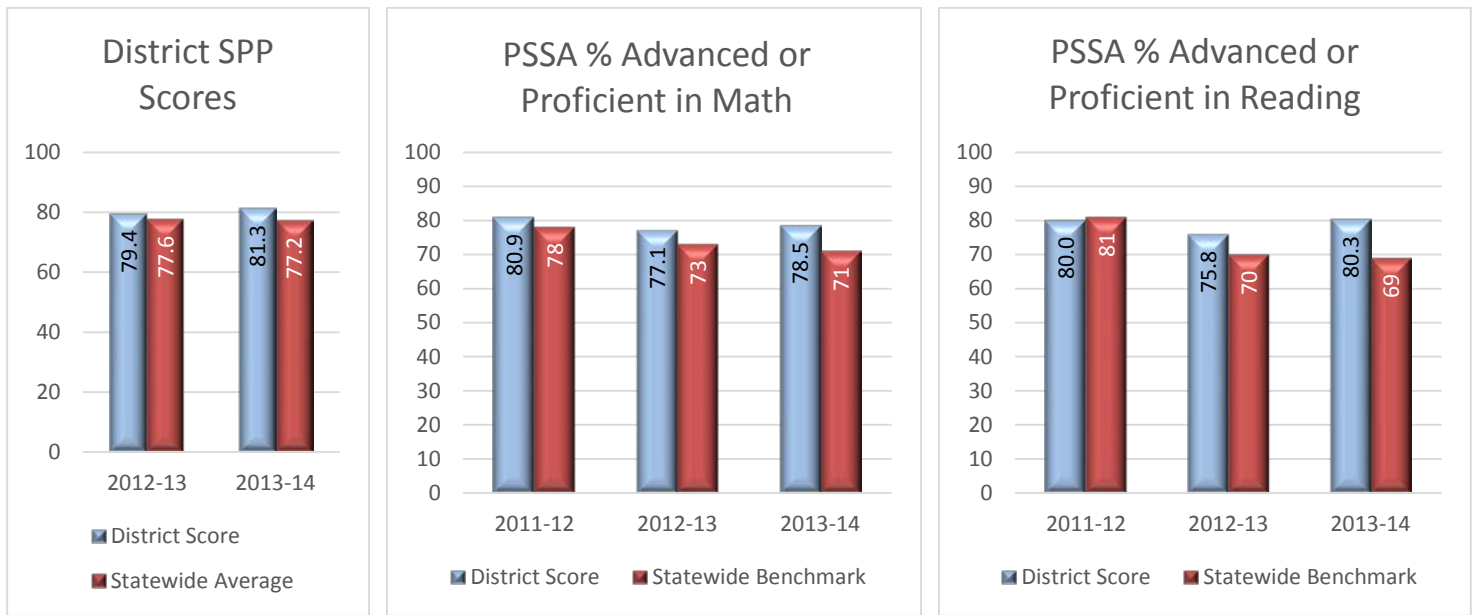
Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE’s data files.¹ These scores are presented in the District’s audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.² PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.³ District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>United SD</i>	79.4	81.3	80.9	77.1	78.5	80.0	75.8	80.3
<i>SPP Grade⁴</i>	C	B						



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

² Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

³ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁴ The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

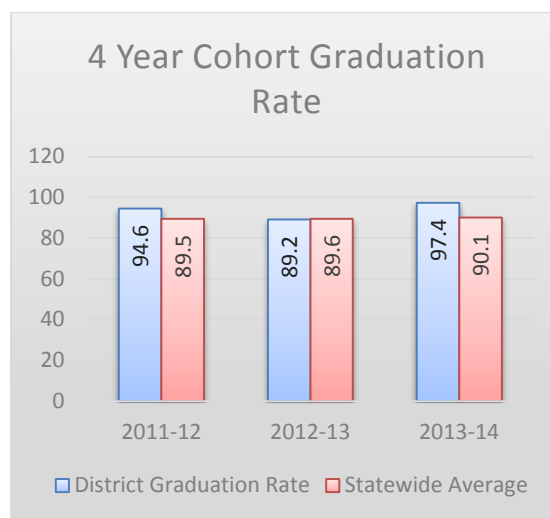
Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District’s school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.⁵

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>United Elementary School</i>	83.2	85.0	86.3	82.8	79.8	77.7	75.2	74.9
<i>United Junior and Senior High</i>	75.6	77.6	75.5	71.4	77.2	82.3	76.5	85.8

4 Year Cohort Graduation Rates

The 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.⁶



⁵ PDE’s data does not provide any further information regarding the reason a score was not published.

⁶ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

Findings and Observations

Finding

The District Failed to Comply with the Public School Code by Inaccurately Reporting Transportation Data to the Pennsylvania Department of Education Resulting in an Underpayment to the District of \$100,529

Criteria relevant to the finding:

Student Transportation Subsidy

The Public School Code (PSC) provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 of the PSC, 24 P.S. § 25-2541, specifies the transportation formula and criteria.

Total Students Transported

Section 2541(a) of the PSC, 24 P.S. § 25-2541(a), states, in part: “School districts shall be paid by the Commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, 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. . . .”

The District made errors that resulted in incorrect student transportation data being reported to PDE for the 2013-14 school year. The result of these errors was that the District received \$100,529 less in transportation reimbursement from PDE than they were eligible to receive. We feel the importance of correcting the issues discussed in this finding is increased since this is the fifth consecutive audit covering a ten-year time span that has resulted in a transportation finding. The following sections detail the different types of errors we found in this audit.

Mileage and Student Count Reporting Errors

The District reported daily mileage and student counts correctly for the vehicles that ran daily for the entire 2013-14 school year. However, there were 17 vehicles that did not run daily for the entire school year. The District incorrectly calculated the daily mileage and student counts for those 17 vehicles. The correct procedure for calculating a sample average is to obtain eight monthly odometer readings and student counts and divide the total mileage and student counts by eight, when at least eight odometer readings are available.

For the 17 buses in question, the District was incorrectly dividing by eight even though there were fewer than eight monthly readings obtained. For example, for some vehicles, only five monthly readings were obtained. In that situation, the District should have divided by five rather than eight. Dividing by a higher reading number than what was actually obtained would cause the mileage and student counts to be lower than they actually were. Consequently, the calculation errors resulted in the District receiving \$100,529 less in transportation reimbursement from PDE than it was eligible for the 2013-14 school year. This error did not occur in the 2014-15 school year because the District contracted with a new transportation contractor who only used vehicles that were operated for the entire school year.

*Criteria relevant to the finding
(continued):*

Supplemental Transportation
Subsidy for Nonpublic Students

Section 2509.3 of the PSC, 24 P.S. § 25-2509.3, provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported.

Nonpublic school students are children whose parents are paying tuition to attend a nonprofit or parochial school. Districts are required to bus students to nonpublic schools that are within 10 miles of the District's boundary.

Annual Filing Requirement

Section 2543 of the PSC, 24 P.S. § 25-2543, sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies.

Section 2543, which is entitled, "Sworn statement of amount expended for reimbursable transportation; payment; withholding" of the PSC states, in part: "Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The 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." [Emphasis added.]

Nonpublic Students Transported

Our review of the District's supporting documentation for their transportation reimbursement subsidies revealed that the District did not have supporting documentation for the number of nonpublic students reported in the 2012-13 and 2013-14 school years. Districts are reimbursed \$385 for each nonpublic student that the District transports. The District reported to PDE that they transported 78 nonpublic students in the 2012-13 school year and 76 nonpublic students in the 2013-14 school year. The District received \$30,030 and \$29,260, respectively, in reimbursements for transporting nonpublic students in these years.

The District should have received transportation request forms for all of the nonpublic students transported. These transportation request forms are used to support the number of students reported to PDE. Without these supporting documents, we were unable to determine if the District was eligible for the reimbursements it received for nonpublic students transported in the 2012-13 and 2013-14 school years. A detailed nonpublic listing was on file for the 2014-15 school year. This documentation enabled us to verify that the District was correctly reimbursed for transporting nonpublic students in the 2014-15 school year.

As stated earlier in the finding, incorrectly reporting transportation data to PDE has been a persistent problem for the District. The District attributed these issues to constant turnover in the position of transportation coordinator and issues with previous transportation contractors.

Since transportation reimbursements can have a significant impact on District finances, we encourage the District to take more ownership of their transportation operations, to ensure information is accurately reported to PDE, and to maintain supporting documentation of its requested reimbursements.

By failing to accurately report transportation data and maintaining supporting documentation, the District may not only incur financial losses, but it fails to comply with the PSC, which may under certain circumstances cause PDE to withhold such reimbursements.

*Criteria relevant to the finding
(continued):*

Record Retention Requirement

Section 518 of the PSC, 24 P.S. § 5-518, requires that financial records of a district be retained by the district for a period of not less than six years.

PDE Instructions and Guidance

PDE has established transportation forms and relevant instructions specifying how districts are to report the total number of students transported to and from school, nonreimbursable students, nonpublic students, and charter school students.

Instructions for completing PDE's End-of-Year Pupil Transportation reports provides that the LEA must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle.

According to PDE's "Instructions for Worksheet Completion – Worksheet for Computing Sample Averages," LEA's should record the following information in preparation of completing PDE's End-of-Year Pupil Transportation reports:

"Record the vehicle odometer readings on or about July 1 prior to the beginning of the school year and on or about July 1 at the end of the school year. The two readings should be about one year apart.

After the second reading, subtract the beginning of the year odometer reading from the end of the year odometer reading to determine the annual odometer mileage."

Recommendations

The *United School District* should:

1. Ensure that daily mileage for vehicles that are not in use for the entire school year are calculated properly and reviewed by individuals other than the preparer for accuracy.
2. Continue to obtain detailed transportation listings and transportation request forms for all nonpublic students transported during each school year.
3. Perform a review of subsequent years' data to ensure accurate data was reported to PDE. If necessary, resubmit revised information to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future allocations to reimburse the underpayment of \$100,529 resulting from the District incorrectly reporting student transportation data for the 2013-14 school year.

Management Response

District management provided the following response:

Issue #1: The incorrect denominator was used in the calculation of miles with and without students and student counts.

Considerations:

On or about August 2013, representative of the Auditor General's office completed their audit of the transportation subsidy calculations of the School District. The results of audit were conveyed to the District's business manager. Suggestions and instruction were conveyed to the District's business manager to potentially avoid future reporting concerns.

*Criteria relevant to the finding
(continued):*

“Once during each month, from October through May, for to-and-from school transportation, measure and record:

1. The number of miles the vehicle traveled with students,
2. The number of miles the vehicle traveled without students,
3. The greatest number of students *assigned* to ride the vehicle at any one time during the day.

At the end of the school year, calculate the average of the eight measurements for each of the three variables calculated to the nearest tenth. These averages are called sample averages.

The annual odometer mileage and the sample averages determined by the above methods should be used to complete the PDE-1049, end-of-year pupil transportation report in the eTran system.”

Cause of Issue:

As conveyed to the Business Manager, the instructions documented were, “the sample method, divide by eight regardless of time the bus spent on the road.” Again repeated, “the (former contractor) prepared report divide by eight regardless of the amount of time the bus was on the road.”

Resolution:

As stated in the Audit report, the error did not occur in the 2014-15 school year. The proper denominator was used in the calculation of miles with and without students and student counts. Due to the correct reporting in the 2014-15 school year, in response to the recommendation Point #1, the corrective action pertinent to the issue is resolved.

Issue #2: The insufficient data relating to the reporting of non-public students transported for the 2012-13 and 2013-14 school years.

Considerations:

As of February 11, 2014, the Board of School Directors had elected to employ a student transportation carrier not previously employed by the District. The effective date of provided services of the newly contracted student transportation carrier commenced July 1, 2014. Consequently, the commencement date of provided services by the new employed transportation carrier occurred prior to the due date and filing date of the 2013-14 Transportation Subsidy report. The 2013-14 Transportation Subsidy report was filed with the Department of Education in December 2014. Although the prior carrier had provided documentation to the District with regards to the number nonpublic students transported, the documentation was limited.

Due to the current circumstances, the District transitioning to a new transportation carrier, *and in my opinion*, the previously employed transportation carrier was unwilling to commit additional resources on a former client to satisfy information requests.

Resolution:

As stated in the Audit report, the information provided by the District with regards to the transportation of nonpublic students during the 2014-15 school year was considered “verifiable”. Considering the remarks contained in the Audit Report and in reference to Point #2 of the recommendations, the District has satisfied nonpublic reporting requirements of the 2014-15 school year and has alleviated this issue.

Auditor Conclusion

We are encouraged that the District instituted most of our prior recommendations and the District correctly reported transportation data to PDE for the 2014-15 school year. We continue to recommend that the District implement all of our current recommendations to help ensure that the District is correctly reimbursed in the future.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on April 24, 2014, resulted in one finding, as shown below. As part of our current engagement, 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 PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on April 24, 2014

Prior Finding: **Continued Errors in Pupil Transportation Reports and Internal Control Weaknesses Resulted in a Net Underpayment of \$43,552**

Prior Finding Summary: Our prior audit of the District found that pupil transportation records and reports submitted to PDE for the 2010-11 and 2011-12 school years contained reporting errors and lacked sufficient supporting documentation. These errors resulted in an underpayment of \$48,537 and an overpayment of \$4,985 for the 2010-11 and 2011-12 school years, respectively.

Prior Recommendations: We recommended that the District should:

1. Instruct the District's Transportation Coordinator to develop appropriate written procedures incorporating independent verification and defining appropriate supporting documentation to ensure the accuracy of the District's records.
2. Conduct an annual internal review to ensure the number of days of service, daily mileage, pupil counts, and nonpublic students transported are accurately recorded and reported to PDE.
3. Perform a review of subsequent years' data to ensure supporting documentation is prepared and retained and ensure accurate data is reported and resubmit, if necessary, to PDE.
4. Annually submit for PDE approval the necessary cost calculation for layover time reimbursement.
5. Ensure that all documentation to support transportation data reported to PDE is retained for audit.

We also recommended that PDE should:

6. Adjust the District's future allocations to correct the net underpayment of \$43,552.
7. Consider withholding future reimbursement to the District until such time as adequate documentation is prepared and retained to support the data reported by the District.

Current Status:

During our current engagement, we determined that the District implemented some, but not all of our prior audit recommendations, as noted in the current finding.

The District's Transportation Coordinator did develop written procedures incorporating independent verification and defining appropriate supporting documentation to ensure the accuracy of the District's records. However, the current engagement once again disclosed transportation reporting errors.

The District has not conducted annual internal reviews to verify the number of days of service, daily mileage, pupil counts, and nonpublic students are accurately recorded and reported to PDE.

As of May 2, 2017, PDE had not yet adjusted the District's allocations to correct the net underpayment of \$43,552.

Distribution List

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

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Nathan Mains

Executive Director
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050

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