

PERFORMANCE AUDIT

Valley Grove School District Venango County, Pennsylvania

September 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Kevin M. Briggs, Superintendent
Valley Grove School District
429 Wiley Avenue
Franklin, Pennsylvania 16323

Mr. Brandon Winger, Board President
Valley Grove School District
429 Wiley Avenue
Franklin, Pennsylvania 16323

Dear Mr. Briggs and Mr. Winger:

We have conducted a performance audit of the Valley Grove School District (District) for the period July 1, 2015 through June 30, 2019, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in Appendix A of this report:

- Transportation Operations
- Nonresident Student Data
- Bus Driver Requirements

We also evaluated the application of best practices and determined compliance with certain 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 and nonresident student data. These deficiencies are detailed in the two findings in this report. A summary of the results is presented in the Executive Summary section of this report.

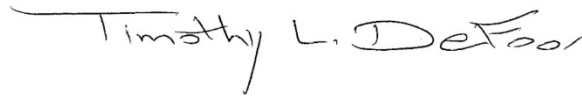
In addition, we found that the District performed adequately in the area of bus driver requirements, and we did not identify any internal control deficiencies.

Mr. Kevin M. Briggs
Mr. Brandon Winger
Page 2

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 improve the District's operations and facilitate compliance with legal and relevant requirements.

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

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Timothy L. DeFoor
Auditor General

September 23, 2021

cc: **VALLEY GROVE SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Valley Grove 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.

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 two findings in this report.

Finding No. 1: The District's Failure to Implement an Internal Control System Resulted in a Transportation Reimbursement Net Underpayment of \$22,869 to the District.

We found that the District did not implement an adequate internal control system over the input, categorization, calculation, and reporting of regular and supplemental transportation data. The failure to implement internal controls led to inaccurate mileage being reported to the Pennsylvania Department of Education (PDE) for the 2017-18 school year which resulted in the District being underpaid \$30,184 in regular transportation reimbursements. Additionally, we identified errors with the supplemental transportation data reported to PDE which resulted in a \$7,315 overpayment to the District. The net effect of these reporting errors

was a \$22,869 underpayment for the District (see page 7).

Finding No. 2: The District's Failure to Implement Internal Controls Led to Inaccurate Nonresident Student Data Reported to PDE Resulting in an \$8,860 Underpayment.

We found that the District failed to implement adequate internal controls over the identification, categorization, and reporting of nonresident student data resulting in an \$8,860 underpayment from PDE. This underpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2017-18 school year (see page 13).

Status of Prior Audit Findings and Observations.
There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2019-20 School Year*	
County	Venango
Total Square Miles	63
Number of School Buildings	2
Total Teachers	70
Total Full or Part-Time Support Staff	42
Total Administrators	7
Total Enrollment for Most Recent School Year	798
Intermediate Unit Number	6
District Career and Technical School	Venango Technology Center

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

Mission Statement*

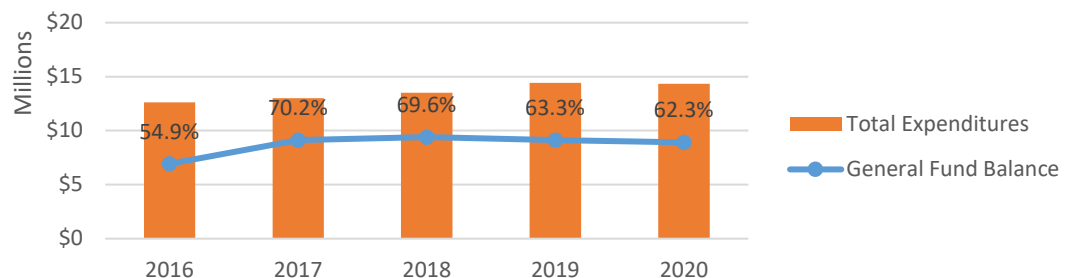
The mission of the Valley Grove School District in partnership with the community is to provide the opportunity for each student to obtain a comprehensive and quality education.

Financial Information

The following pages contain financial information about the Valley Grove 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**.

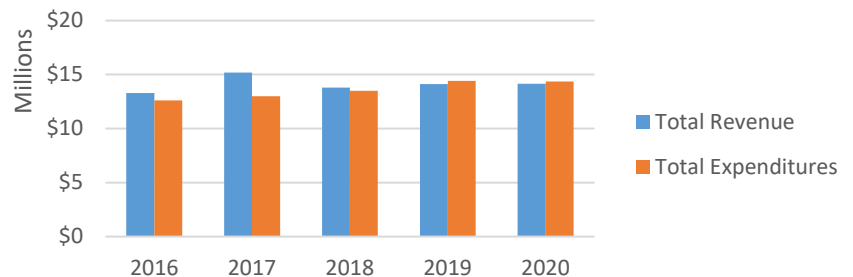
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2016	\$6,930,619
2017	\$9,117,255
2018	\$9,405,571
2019	\$9,122,154
2020	\$8,930,697



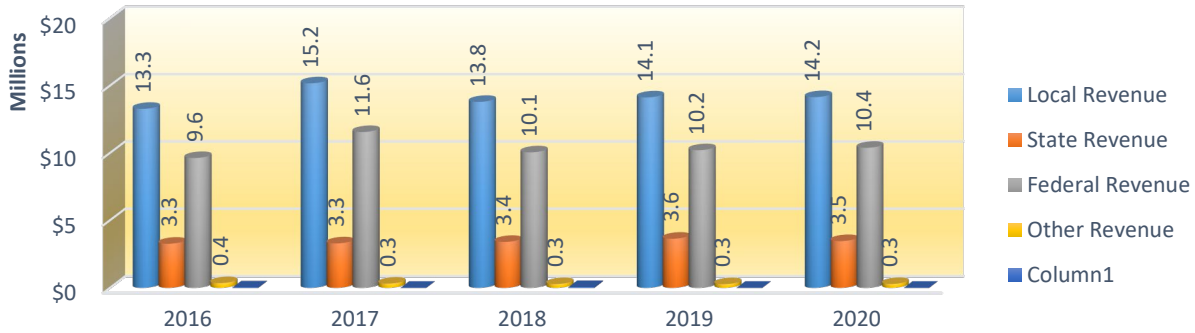
Revenues and Expenditures

	Total Revenue	Total Expenditures
2016	\$13,283,452	\$12,616,230
2017	\$15,182,291	\$12,995,654
2018	\$13,801,164	\$13,512,848
2019	\$14,134,083	\$14,417,502
2020	\$14,154,399	\$14,345,854

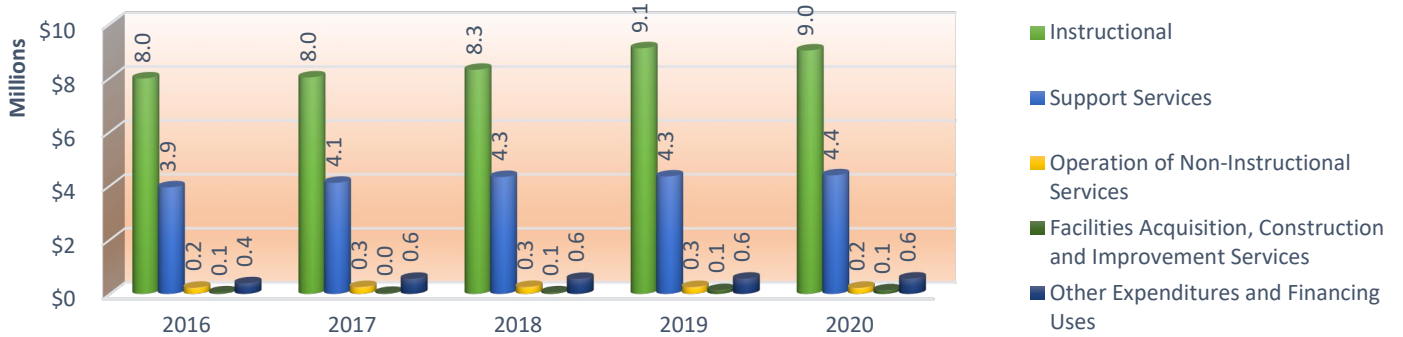


Financial Information Continued

Revenues by Source

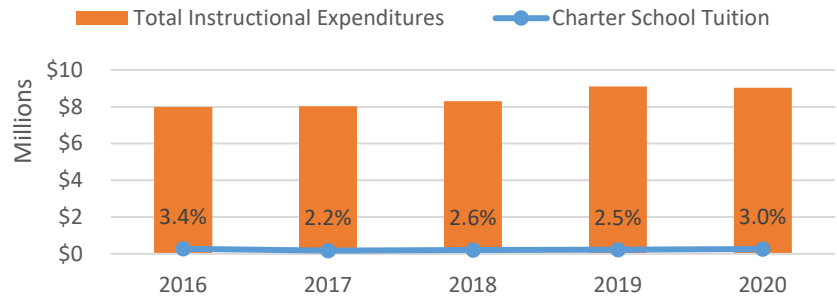


Expenditures by Function

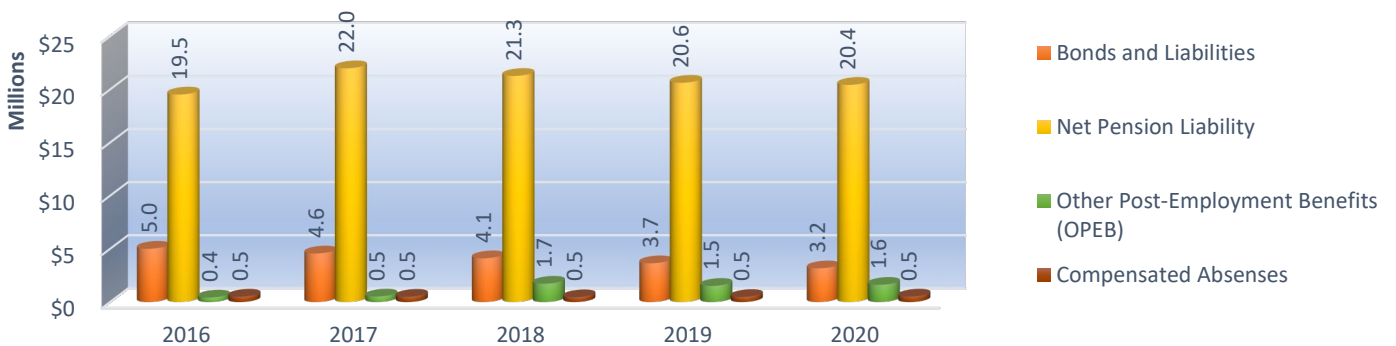


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2016	\$275,289	\$7,990,700
2017	\$174,991	\$8,028,992
2018	\$213,124	\$8,311,571
2019	\$223,528	\$9,110,755
2020	\$269,427	\$9,029,685



Long-Term Debt

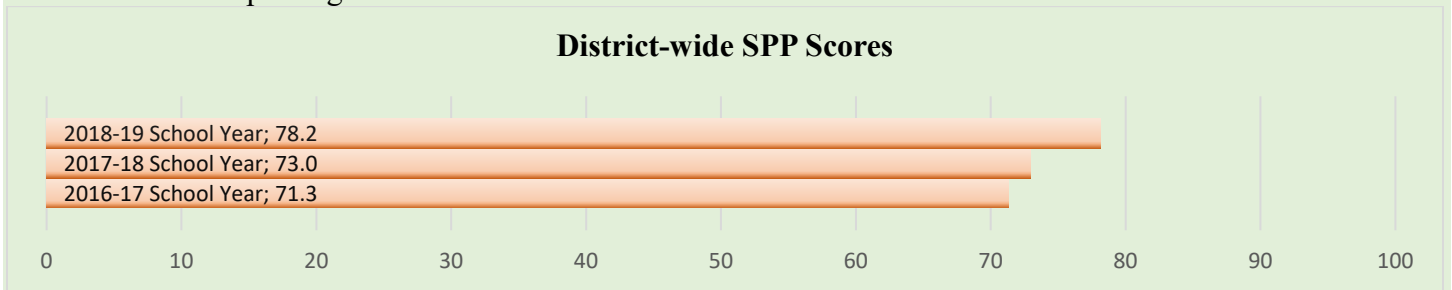


Academic Information¹

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.² In addition, the District's 4-Year Cohort Graduation Rates are presented for the 2017-18 through 2019-20 school years.³ 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.



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

² 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.

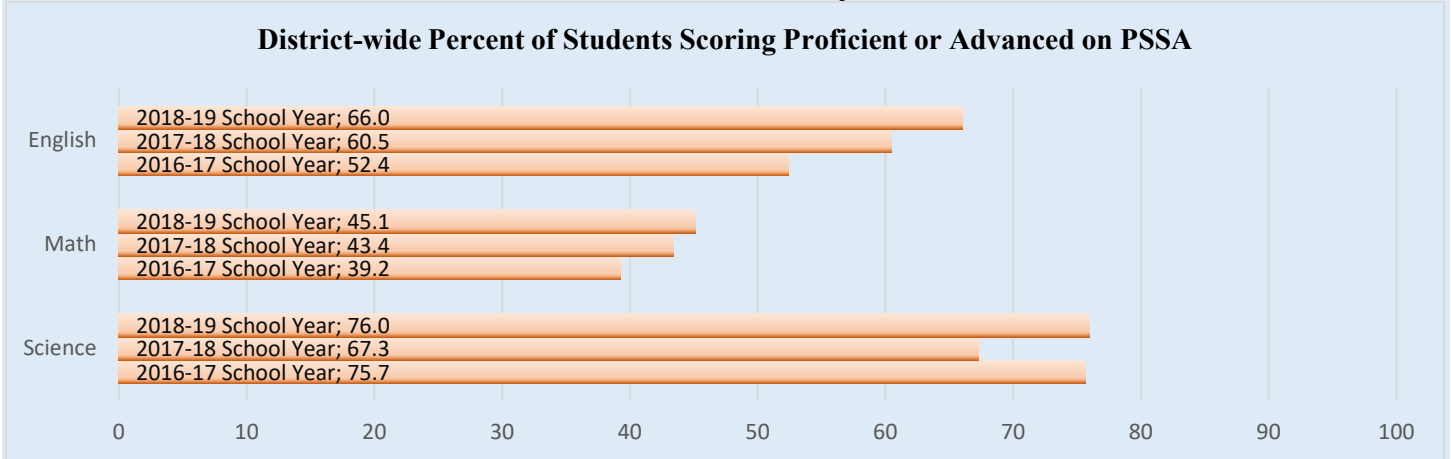
³ Graduation rates were still reported for the 2019-20 school year despite the COVID-19 pandemic.

Academic Information Continued

What is the PSSA?

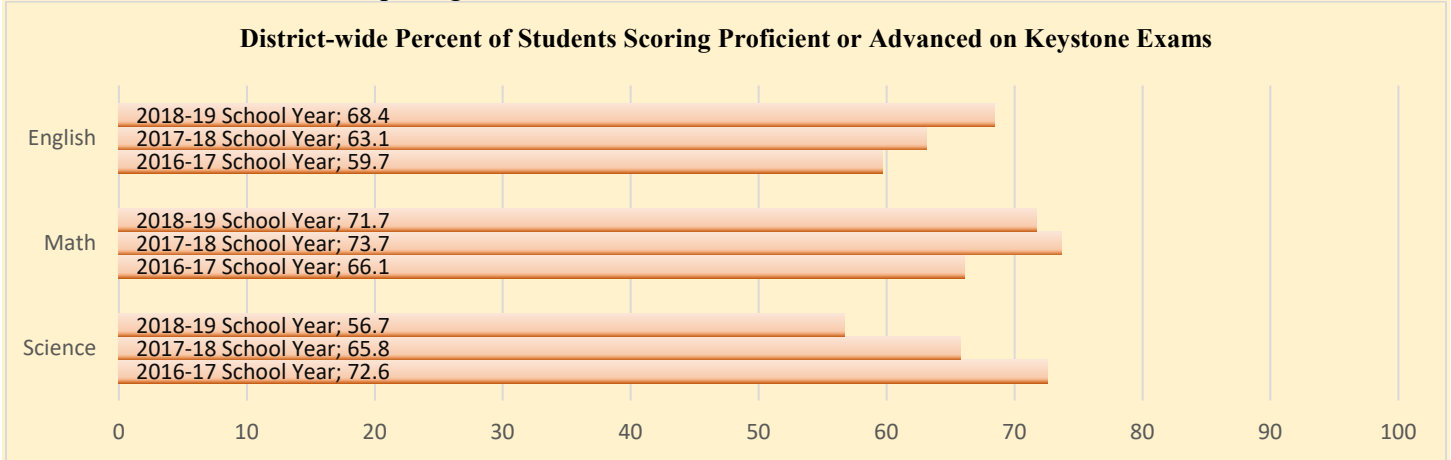
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.⁴ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

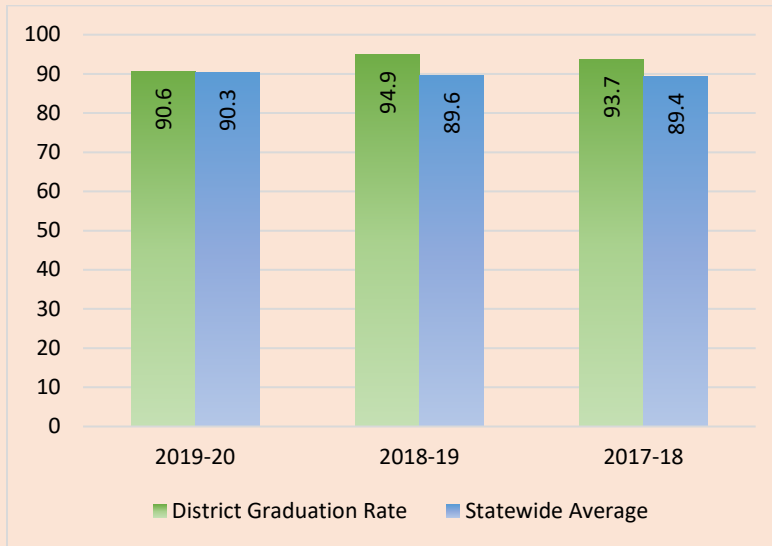


⁴ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs)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



⁵ 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's Failure to Implement an Internal Control System Resulted in a Transportation Reimbursement Net Underpayment of \$22,869 to the District

Criteria relevant to the finding:

Student Transportation Subsidy

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

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

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC, which is entitled, "Sworn statement of amount expended for reimbursable transportation; payment; withholding" of the PSC states, in part: "Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The 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 Valley Grove School District (District) did not implement an adequate internal control system over the input, categorization, calculation, and reporting of regular and supplemental transportation data. The failure to implement internal controls led to inaccurate mileage being reported to the Pennsylvania Department of Education (PDE) for the 2017-18 school year which resulted in the District being underpaid \$30,184 in regular transportation reimbursements. Additionally, we identified errors with the supplemental transportation data reported to PDE which resulted in a \$7,315 overpayment to the District. The net effect of these reporting errors was a \$22,869 underpayment for the District.

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 both the District's regular and supplemental transportation reimbursements.

Since the above listed components are integral to the calculation of the District's transportation reimbursements, it is essential that the District properly record, categorize, 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.

It is also important to note that the Public School Code (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

Criteria relevant to the finding (continued):

Total Annual Miles reported by the District Section 23.36 (relating to Transportation by district-owned equipment) under the State Board of Education’s regulations provides as follows:

“(a) The maximum allowable costs for reimbursement, other than depreciation, shall be determined by adding together the amounts determined in subsection (b).

Maximum allowable costs for reimbursement for a school year may not exceed the amount reported for actual operation of district-owned vehicles on the annual financial report for the school year in question prorated on the ratio of approved annual mileage to and from school during the school term to the total annual mileage traveled during the school year for all purposes by the designated vehicles.

(b) The maximum allowable costs shall be the sum of the amounts determined as follows:

(1) A basic annual allowance per vehicle and driver for reimbursement purposes shall be computed as follows:

(i) For each district-owned vehicle approved and used in pupil transportation both to and from school during the full school term, an allowance of \$540 shall be made, except that for vehicles with an approved rated pupil capacity of ten or less, the allowance shall be \$360. Each qualifying vehicle shall be allotted an additional amount determined by multiplying the approved rated pupil capacity of the vehicle times \$15 if the vehicle is from 1 to 10 years of age, and times \$12 if the vehicle is 11 years of age or over.

order to be eligible for transportation reimbursements.⁶ The sworn statement includes the superintendent’s signature attesting to the accuracy of the reported data. Because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide it with the confidence it needs to sign the sworn statement.

Regular Transportation Reimbursement

The District used a combination of contractor provided vehicles and district-owned vehicles to transport students during the 2017-18 school year. We found that the District inaccurately reported the total miles traveled for all four district-owned vehicles in the 2017-18 school year (see Table No. 1 below).

Table No. 1

Valley Grove School District Mileage Reporting Errors		
School Year	Reported Total Annual Miles	Audited Total Annual Miles
2017-18	97,599	53,749

The errors for these four vehicles occurred due to clerical errors made by the District employee responsible for calculating and reporting transportation data. The District intended to report annual miles traveled by subtracting miles traveled in 2017-18 from ending mileage for each district-owned vehicle in the 2016-17 school year. Instead, the District used beginning mileage for all the vehicles in 2016-17 that resulted in mileage being overreported. A review by another employee would have most likely revealed these errors prior to reporting transportation data to PDE.

PDE reimburses school districts for a portion of its transportation expenditures. PDE calculates a school district’s net transportation expenditures using expense data reported by the district and applying deductions to that amount.⁷ PDE also calculates a “final formula allowance” by using, among other items, the number of days students were transported and the approved daily miles driven. To determine the amount of a school district’s regular transportation reimbursement subsidy, PDE compares the final formula allowance to the net transportation expenditures amounts and reimburses the district based on the lesser of the two amounts.

⁶ See 24 P.S. § 25-2543.

⁷ For district-owned vehicles, the net transportation expenditures are calculated and a mileage adjustment is made and the lesser of these amounts are compared to the final formula allowance.

*Criteria relevant to the finding
(continued):*

(ii) When the vehicle is used less than full school term or is used daily only for transportation either to school or from school, or travels less than 20 miles per day in transporting pupils to and from school, the basic annual allowance shall be reduced in accordance § 23.35(b)(1)(ii) and (iii) (relating to transportation by contract).

(2) The allowance based on mileage shall be computed in accordance with § 23.35(b)(2).

(3) The utilized passenger capacity miles allowance for reimbursement purposes shall be determined by multiplying the approved utilized passenger capacity miles of service to and from school provided during the school term times \$3 per thousand or fraction thereof.

(4) The allowance, if any, based on annual approved excess driver hours, shall be calculated in accordance with § 23.35(b)(4).

(c) Approved reimbursable costs of approved reimbursable pupil transportation provided by district-owned vehicles shall be computed by multiplying the maximum allowable costs for reimbursement provided for in subsection (b) by the cost index provided for in § 23.39 (relating to adjustments), and subtracting from the result an amount equal to the lesser of 10% of the approved purchase price of each vehicle at the time of acquisition or \$700 for each vehicle.” See 22 Pa. Code § 23.36.

The District was reimbursed based on the net transportation expenditures incurred during the 2017-18 school year. However, the mileage errors we identified affected the calculation of the net transportation expenditures. Specifically, using the numbers originally reported, the District’s net expenditure amount was \$39,951. After adjusting for the error, the District’s net expenditures amount was \$72,574.

PDE had calculated the District’s final formula allowance for district-owned vehicles as \$70,135. Since PDE bases the transportation reimbursement on the lesser of the amounts, the District received \$39,951 for district-owned vehicles. However, the recalculated net transportation expenditures amount is now \$72,574. Since the final formula allowance is the lesser of the two amounts, the District should have received reimbursement of \$70,135 rather than the \$39,951. As a result, we determined that the District was underpaid a total of \$30,184 for the 2017-18 school year.

Supplemental Transportation Reimbursement

According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.⁵ The PSC requires that school districts provide transportation services to students who reside in its district and who attend a nonpublic school, and it provides for reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.

We found that the District overreported the number of nonpublic school students it transported for each year of the audit period as detailed in the table below.

⁵ See Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 § 9-922.1A(b).

Criteria relevant to the finding
(continued):

Supplemental Transportation Subsidy for Nonpublic and Public Charter Students

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

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

Table No. 2

Valley Grove School District Nonpublic School Student Reporting Errors		
School Year	Students Overreported ⁸	Overpayment ⁹
2015-16	1	\$ 385
2016-17	4	\$1,540
2017-18	5	\$1,925
2018-19	9	\$3,465
Total	24	\$7,315

Every school year, the District should obtain a written request to transport each nonpublic school student from the parent/guardian. The District must maintain this documentation as support for the number of students it reports to PDE for the supplemental reimbursement calculation. Without this documentation, the District cannot include these students in its reported total number transported. We determined that the District reported some students who attended nonpublic schools but were not transported by the District. The District could not provide documentation that it actually transported the 24 students identified in Table No. 1 as nonpublic students and, therefore, the District overreported this number to PDE which led to a \$7,315 overpayment.

Significant Internal Control Deficiencies

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

- Ensure that the employee responsible for reporting transportation data to PDE was adequately trained on PDE’s reporting requirements.
- Ensure that an employee other than the employee responsible for reporting transportation data to PDE reviewed the data before it was submitted to PDE.
- Ensure that each nonpublic school student had submitted a request for transportation for each school year prior to reporting the data to PDE and that the request was consistent with PDE’s guidelines.
- Develop detailed written procedures for calculating and reporting vehicle data to PDE, along with the number of nonpublic school students transported.

⁸ The District reported nonpublic school students for each school year as follows: 1) 19 students for 2015-16; 2) 15 students for 2016-17; 3) 17 students for 2017-18; and 4) 18 students for the 2018-19.

⁹ Calculated by multiplying the “Students Overreported” column by \$385.

All of the above internal control deficiencies led to the errors we discussed in this finding.

Future Reimbursement Adjustment: We provided PDE with documentation detailing the transportation reporting errors for the 2015-16 through 2018-19 school years. We recommend that PDE adjust the District's future transportation reimbursements by the \$22,869 that we identified as an underpayment.

Recommendations

The *Valley Grove School District* should:

1. Develop and implement an internal control system over its regular and supplemental transportation operations. The internal control system should include, but not be limited to, the following:
 - All personnel involved in transportation data reporting are trained on PDE's reporting requirements.
 - A review of transportation data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
 - Comprehensive written procedures are developed to ensure accurate reporting of regular and supplemental transportation data.
2. Review the transportation report completed and submitted for the 2019-20 school year to determine if similar errors were made and, if necessary, submit a revised report to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to correct the net reimbursement of the \$22,869 underpayment to the District.

Management Response

Management stated the following:

The first year of the audit, 2015-2016, was also the first year that the district employee responsible for transportation data and reporting was in that position. The audit process has indicated that the proper amount of training may not have been provided to the employee responsible for the PDE transportation reporting prior to assigning those tasks. Moving forward, VGSD will ensure that all personnel involved in transportation reporting will participate in PDE training and updates throughout the school year. This includes the employee responsible for reporting and also the additional administrative staff assigned for internal controls and a representative from the business office.

As indicated above, an additional administrative employee will have oversight of the PDE transportation reporting. This will be added to the job description of the assigned administrator. This administrator will participate in training and review all transportation reports prior to submission and coordinate spot checks with a representative from the business office.

The transportation coordinator, the administrator assigned for internal controls and the business office will coordinate to create a comprehensive transportation reporting procedures and associated timeline to ensure each requirement is met each year and that all reports are accurate and timely. Procedural guidelines will include sections for both supplemental transportation and regular transportation data.

Using the clarification and information garnered from the audit process, district staff will complete a comprehensive review of the data submitted as part of 2019-20 transportation reports to PDE. If similar errors were included in these reports, the transportation coordinator will make necessary revisions, review with business office and submit the revised report.

Auditor Conclusion

We are encouraged that the District has provided a detailed corrective action plan to address all of our recommendations. The District's commitment to strengthening their internal controls and seeking training in reporting transportation data will help to ensure the reported data to PDE is accurate. We will review the effectiveness of the District's corrective actions during our next audit of the District.

Finding No. 2

The District's Failure to Implement Internal Controls Led to Inaccurate Nonresident Student Data Reported to PDE Resulting in an \$8,860 Underpayment

Criteria relevant to the finding:

Payment of Tuition

Section 1305(a) of the PSC provides for Commonwealth payment of tuition for nonresident children placed in private homes as follows:

“When a non-resident child is placed in the home of a resident of any school district by order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, **such resident being compensated for keeping the child**, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district.” (Emphasis added.) See 24 P.S. § 13-1305(a).

We found that the District failed to implement adequate internal controls over the identification, categorization, and reporting of nonresident student data resulting in an \$8,860 underpayment from PDE. This underpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2017-18 school year.¹⁰

Background: School districts are entitled to receive Commonwealth paid tuition for educating certain nonresident students. For a district to be eligible to receive Commonwealth paid tuition, the District must ensure that the student has met all four eligibility components:

- 1) The student's parent/guardian must not be a resident of the educating district.
- 2) The student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.¹¹
- 3) The district resident must be compensated for the care of the student.
- 4) The student must not be in pre-adoptive status.

These students are commonly referred to as “foster students” and it is the mandate of the educating district to obtain the required documentation to correctly categorize and accurately report these students that the district educated to PDE. Further, the district must obtain updated documentation for each year that the district reports a student as a nonresident student.

Because school districts can be eligible for additional revenue for educating nonresident students, it is essential for school districts to properly identify, categorize, and report nonresident students that it educated to PDE. Therefore, school districts should have a strong system of internal controls over this process that should include, but not be limited to, the following:

- Training on PDE reporting requirements.
- Written internal procedures to ensure compliance with PDE requirements.

¹⁰ Our review found that the District accurately reported foster student data for the 2015-16, 2016-17, and 2018-19 school years.

¹¹ For example, the applicable county children and youth agency.

*Criteria relevant to the finding
(continued):*

Section 2503(c) of the PSC specifies the amount of Commonwealth paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth **an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil**, as the case may be” (Emphasis added.) See 24 P.S. § 25-2503(c).

Subsection (a) of Section 11.19 (relating to Nonresident child living with a district resident) of the State Board of Education’s regulations provides as follows, in part.

“(a) A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the residents own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term.” See 22 Pa. Code § 11.19(a).

- Reconciliations of source documents to information reported to PDE.

Foster Student Reporting Error

We found that one student was inaccurately reported as a resident student during the 2017-18 school year. This student was accurately categorized and reported as a foster student during the 2015-16 and 2016-17 school years. However, this student was inaccurately reported as a resident during the 2017-18 school year despite meeting all the requirements listed in the background section of this finding to be reported as a foster student. The District official responsible for categorizing and reporting foster students unilaterally made the decision to report this student as a resident without reviewing and confirming supporting documentation. The District did not have a review process of this data prior to reporting to PDE and did not perform a reconciliation of source documents to individual students. Both of these internal controls would have helped identify this error prior to reporting to PDE.

Significant Internal Control Deficiencies

The District did not have an adequate internal control system over the process of categorizing, reviewing, and reporting foster student data to PDE. Specifically, we found that the District did not do the following:

- Ensure that all employee’s responsible for categorizing and reporting foster student data to PDE was adequately trained on PDE’s reporting requirements.
- Implement adequate segregation of duties when it assigned responsibility to one employee for categorizing and reporting foster student data to PDE with any oversight.
- Ensure that an employee other than the employee responsible for reporting the foster student data to PDE reviewed the data before it was submitted to PDE.
- Develop detailed written procedures for categorizing and reporting foster student data to PDE.

While our testing found only one error, we note the potential for more costly errors impacting the District’s nonresident reimbursements if the internal control deficiencies are not corrected. Implementing an adequate segregation of duties that includes a review and reconciliation process will help ensure the accuracy of the nonresident student data reported to PDE. Since PDE uses that data to calculate the reimbursements provided to the District, it is imperative that the data be reviewed for accuracy prior to reporting it to PDE.

Future Reimbursement Adjustment: We provided PDE with a report detailing the reporting error we identified for the 2017-18 school year. We recommend that PDE adjust the District's future subsidy reimbursement amount by the \$8,860 that we calculated as an underpayment.

Recommendations

The *Valley Grove School District* should:

1. Develop and implement an internal control system governing the process of categorizing and reporting foster student data within the child accounting department. The internal control system should include, but not be limited to, the following:
 - a. A review of foster student data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
 - b. Training on PDE's reporting requirements for all personnel involved in inputting, categorizing, and reporting foster student data.
 - c. Clear and concise written procedures that address foster student data entry and its associated review process.
2. Design an alert system that notifies appropriate District officials when a change has been made to the residency status of a student in the District's Student Information System.
3. Perform a reconciliation of the foster student data to source documents before reporting the data to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future reimbursements to resolve the \$8,860 underpayment.

Management Response

Management stated the following:

The district did not have proper internal control procedures in place with one district employee having sole control over identifying and reporting foster student data. Moving forward the district will assign an administrative supervisor to review and sign off on foster student data prepared by the child accounting department before PDE submission.

Current district staff involved in categorizing and reporting foster student data has had minimal training. Moving forward the district will require staff in the child accounting department to receive yearly training. Additionally the administrative assistant to the Business

Office will be trained as backup to the child accounting department. The administrative supervisor that will review and sign off on foster student data will also be required to receive training.

The district currently does not have formal written procedures in place that address foster student identification and data entry. The following written procedures will be implemented:

1. Identified foster students will have individual files with a check list of supporting documentation signed by both the child accounting department and administrative supervisor.
2. All updated documentation received throughout the school year will be review and signed off by both the child accounting department and administrative supervisor before a residency change can be made.
3. The child accounting department will prepare and submit the foster student data for PDE entry to the administrative supervisor for approval.
4. Once data is approved for PDE submission by administrative supervisor the child accounting clerk will enter PDE data. The data entry will be double checked by the Business Office administrative assistant.
5. Submission is completed.

Auditor Conclusion

We are encouraged by the District's commitment to strengthening their internal controls and seeking training in reporting foster student data to PDE. We are also encouraged by the District's plan to implement written procedures that address foster student identification and data entry. We will review the effectiveness of the District's corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Valley Grove School District resulted in no findings or observations.

Appendix A: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹² is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Transportation Operations, Nonresident Student Data, Bus Driver Requirements, 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.¹³ *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.¹⁴ 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.

¹² 72 P.S. §§ 402 and 403.

¹³ 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.

¹⁴ 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
Control Environment	
1	Demonstrate commitment to integrity and ethical values
2	Exercise oversight responsibility
3	Establish structure, responsibility, and authority
4	Demonstrate commitment to competence
5	Enforce accountability
Risk Assessment	
6	Define objectives and risk tolerances
7	Identify, analyze, and respond to risks
8	Assess fraud risk
9	Identify, analyze, and respond to change

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

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

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

Figure 2 – Internal Control Components and Principles Identified as Significant

Principle →	Internal Control Significant ?	Control Environment					Risk Assessment					Control Activities			Information and Communication			Monitoring	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
General/overall	Yes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	
Transportation	Yes				X			X	X		X		X	X	X	X	X		
Nonresident Student Data	Yes				X			X	X		X		X	X	X	X			
Bus Drivers	Yes										X		X			X	X		
Safe Schools	No																		

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

Objectives/Scope/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2015 through June 30, 2019 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's effectiveness in four areas as described below. As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives.

Transportation Operations

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁵
 - ✓ To address this objective, we assessed the District's internal controls for obtaining, processing, and reporting transportation data to PDE. We reviewed all 55 vehicles used to transport students during the 2017-18 and 2018-19 school years. First, we reconciled the District's sample average calculation to the data reported to PDE for agreement. We then verified the accuracy of miles and students transported to the supporting odometer readings (miles) and student rosters to determine if the source documents agreed with the data contained in the sample average worksheet. School calendars were obtained to determine if the number of days transportation was provided agreed with the days reported to PDE. Additionally, we verified the accuracy of contractor costs reported to PDE for the 2017-18 school year by comparing data that was reported to PDE to the District's expenditure ledgers. Finally, we reviewed all nonpublic school students reported to PDE as transported by the District during the 2015-16 through 2018-19 school years.¹⁶ We obtained individual requests for transportation for each nonpublic student reported for each school year to ensure accurate reporting to PDE and to ensure the District was accurately reimbursed for these students.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Those results are detailed in Finding No. 1 beginning on page 7 of this report.

¹⁵ See 24 P.S. § 2541(a).

¹⁶ The district reported 19 nonpublic school students in 2015-16, 15 nonpublic school students in 2016-17, 17 nonpublic school students in 2017-18, and 18 nonpublic school students in 2018-19.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁷
 - ✓ To address this objective, we assessed the District’s internal controls for inputting, processing, and reporting nonresident foster student data to PDE. We reviewed all 13 nonresident foster students reported to PDE as educated by the District during the 2015-16 through 2018-19 school years. We reviewed documentation to confirm that the custodial parents or guardian of the foster students were not residents of the District and confirmed that the foster parent received a stipend for caring for the student. We also determined if the District received the correct reimbursement for the education of these students.

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 13 of this report.

Bus Driver Requirements

- Did the District ensure that all bus drivers transporting District students are Board approved and had the required driver’s license, physical exam, training, background checks, and clearances¹⁸ as outlined in applicable laws?¹⁹ 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 required bus driver qualification documents. We determined if all drivers were approved by the District’s Board of School Directors (Board). We randomly selected 10 of 74 contracted drivers who transported District students as of April 26, 2021.²⁰ We reviewed documentation to ensure the District complied with the requirements for those bus drivers. We also determined if the District had monitoring procedures to ensure that all drivers had updated licenses, clearances, and physicals.

Conclusion: The results of our procedures did not identify any reportable issues or internal control deficiencies.

¹⁷ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹⁸ 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.

¹⁹ 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.

²⁰ We selected drivers for a one day period in order to ensure that we selected from a population of drivers who actually drove for the District and to obtain evidence of the completeness of the list of drivers approved by the Board. We selected a day in the latter portion of the audit period to provide results related to a more current group of drivers while maintaining some unpredictability in the selection of drivers during our audits. We randomly selected drivers to provide a representative selection of drivers for the selected day. Because the selection was taken from only one day, the results of this audit procedure are not, and should not be, projected to the population of drivers for the entire audit period.

School Safety

- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding with local law enforcement?²¹ 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, anti-bullying policies, after action reports, and memorandums of understanding with local law enforcement. We also interviewed District officials to assess whether the District has 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.

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?²² 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 fire and emergency drills for the two school buildings to determine whether drills were conducted as required for the for the 2018-19 and 2019-20 school years. We determined if a security drill was held within the first 90 days of the school year for each building in the District and if monthly fire drills were conducted in accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation.

Conclusion: The results of our procedures did not identify any reportable issues.

²¹ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

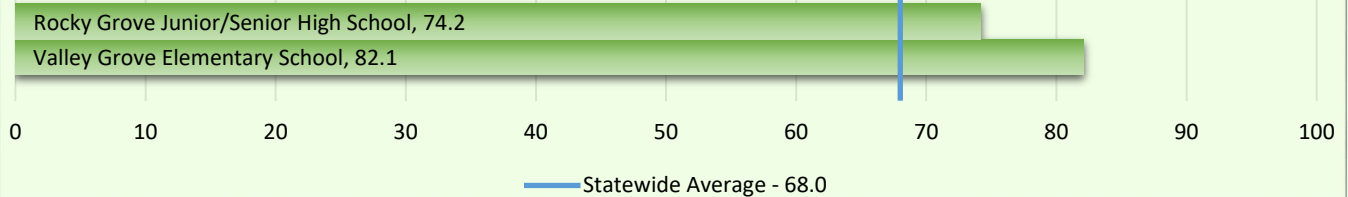
²² Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

Appendix B: Academic Detail

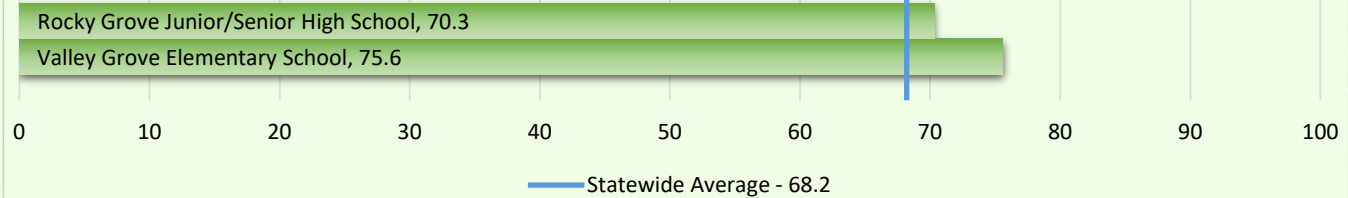
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.²³ Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²⁴

SPP School Scores Compared to Statewide Averages

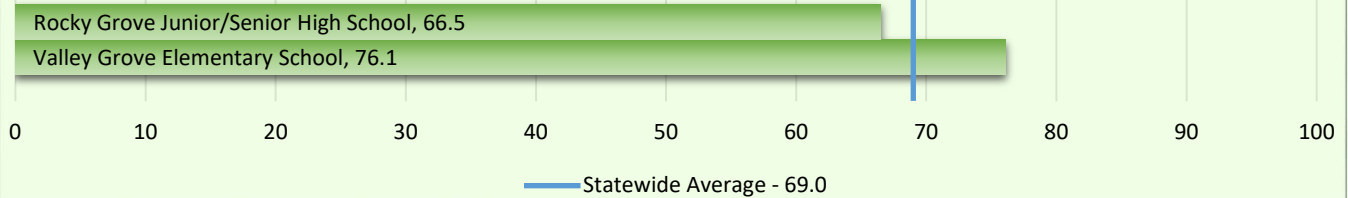
2018-19



2017-18



2016-17

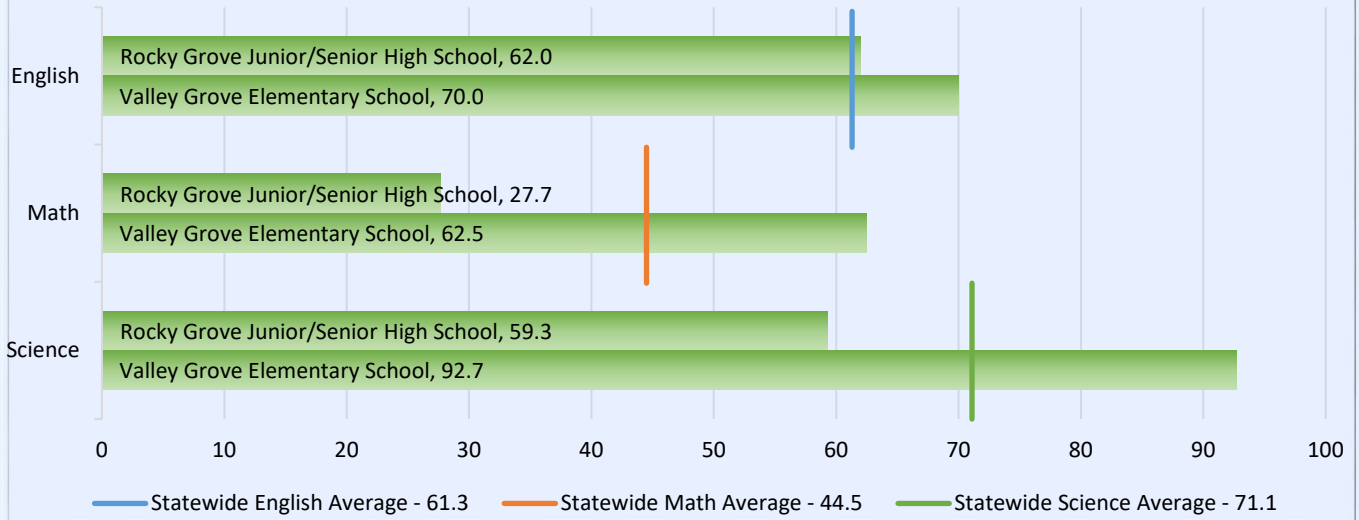


²³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

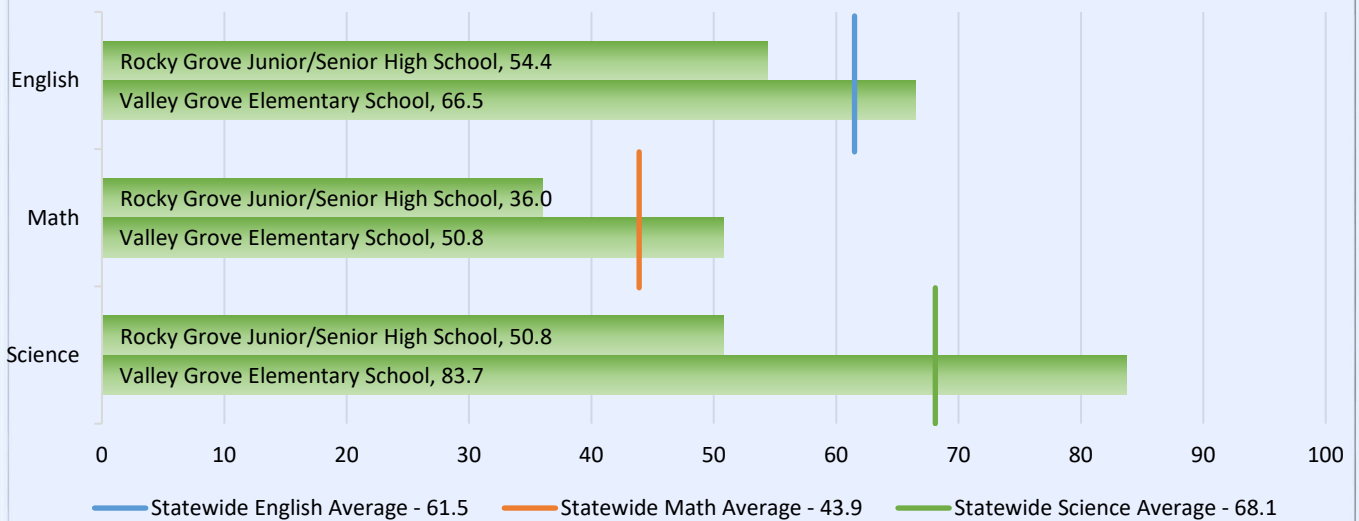
²⁴ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

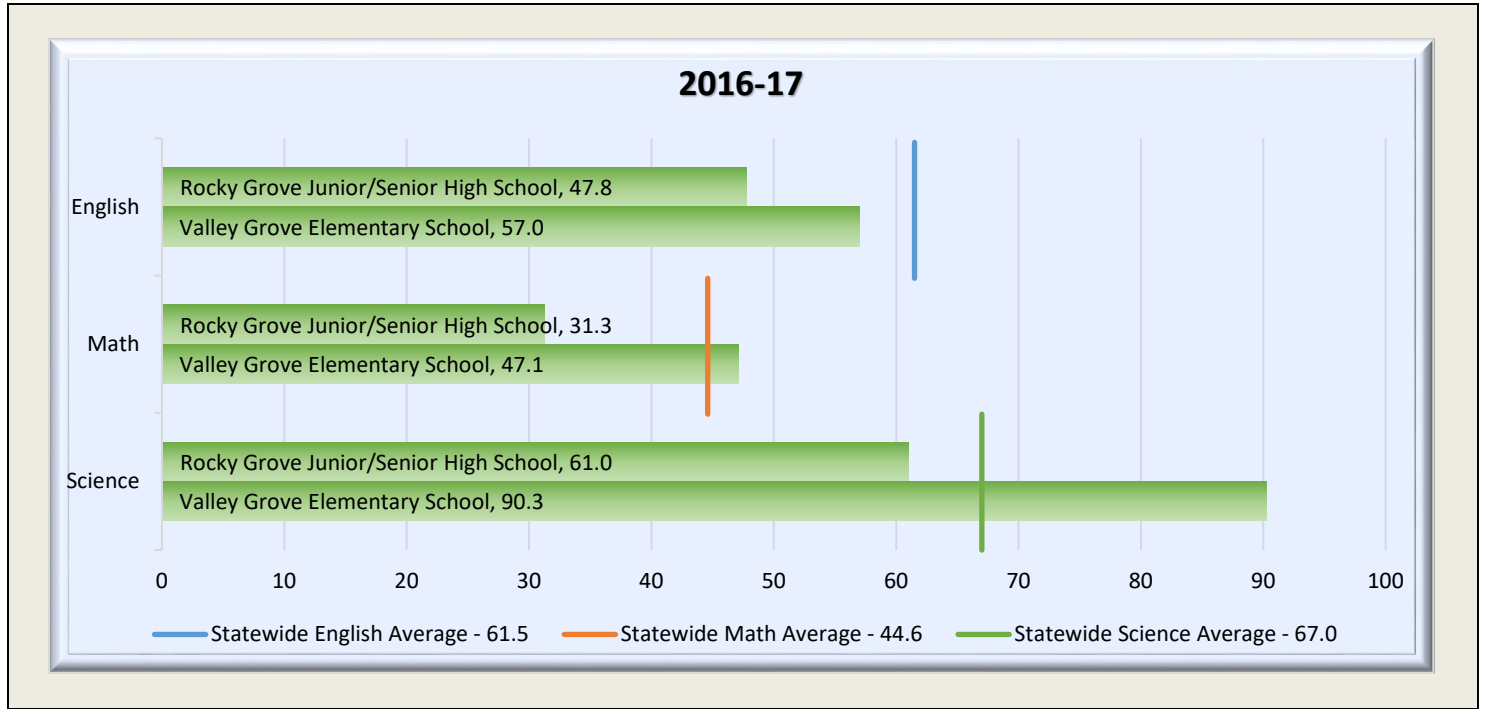
2018-19



2017-18

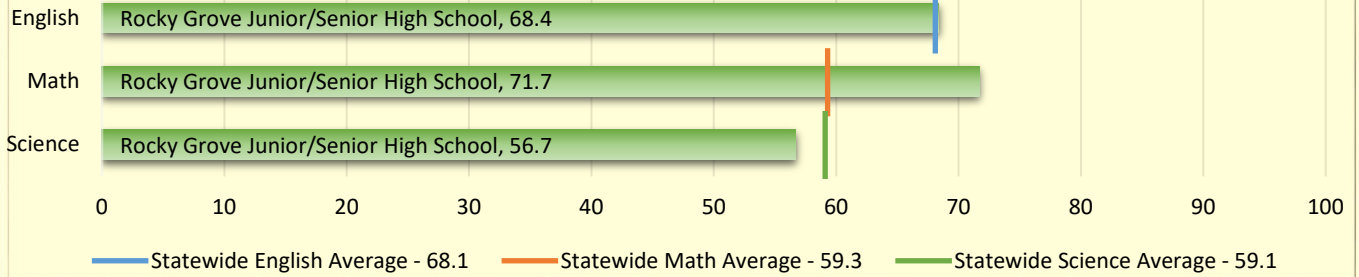


**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

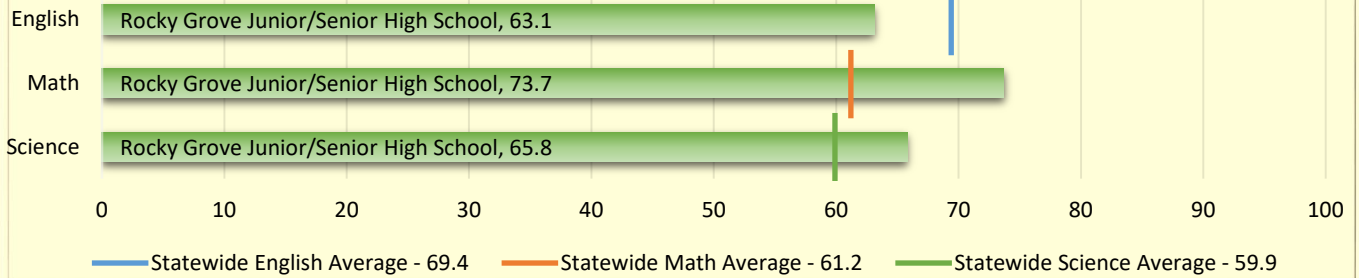


Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

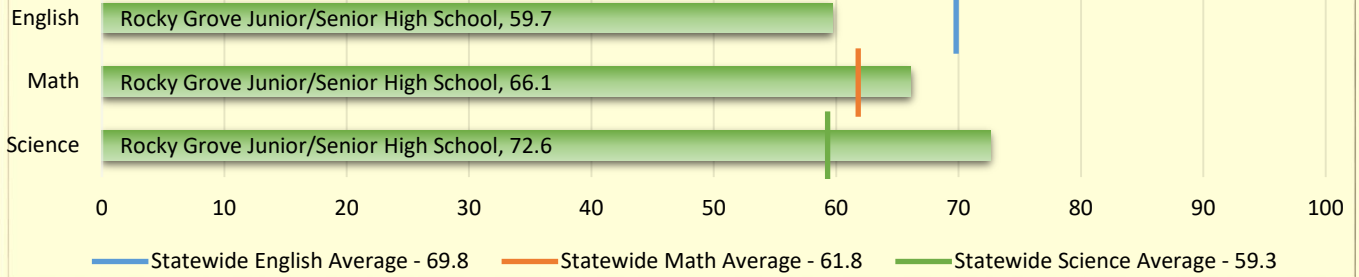
2018-19



2017-18



2016-17



Distribution List

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

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