

PERFORMANCE AUDIT

West Shore School District York County, Pennsylvania

July 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Todd B. Stoltz, Superintendent
West Shore School District
P.O. Box 803
New Cumberland, Pennsylvania 17070

Mrs. Judith A. Crocenzi, Board President
West Shore School District
P.O. Box 803
New Cumberland, Pennsylvania 17070

Dear Dr. Stoltz and Mrs. Crocenzi:

Our performance audit of the West Shore School District (District) determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2014 through June 30, 2018, except as otherwise indicated in the audit scope, objective, and methodology section of the report. The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District complied, in all significant respects, with relevant requirements, except as detailed in our two findings noted in this audit report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Our audit findings and recommendations have been discussed with the District's management, 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, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

May 8, 2020

cc: WEST SHORE SCHOOL DISTRICT Board of School Directors

Table of Contents

	Page
Executive Summary	1
Background Information.....	2
Findings.....	7
Finding No. 1 – The District Failed to Retain the Required Documentation to Support the More Than \$5 Million It Received In Transportation Reimbursements	7
Finding No. 2 – Errors Related to the District’s Social Security and Medicare Reimbursements Resulted in an Underpayment of \$4,435.....	14
Status of Prior Audit Findings and Observations	17
Appendix A: Audit Scope, Objectives, and Methodology	18
Appendix B: Academic Detail	22
Distribution List	31

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the West Shore 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, 2014 through June 30, 2018, 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 2014-15 through 2017-18 school years.

Audit Conclusion and Results

Our audit found that the District applied best practices and complied, in all significant respects, with certain relevant state laws, regulations, contracts, and administrative procedures, except for two findings.

Finding No. 1: The District Failed to Retain the Required Documentation to Support the More than \$5 Million It Received In Transportation Reimbursements.

The District did not comply with the record retention provisions of the Public School Code when it failed to retain adequate source documentation to verify the accuracy of the \$5,116,115 it received for transportation reimbursements. The District failed to retain supporting documentation for the \$4,376,145 it received in regular transportation reimbursements and the \$739,970 in supplemental transportation reimbursements for the 2014-15, 2015-16, and 2016-17 school years (see page 7).

Finding No. 2: Errors Related to the District's Social Security and Medicare Reimbursements Resulted in an Underpayment of \$4,435.

The District inaccurately reported Social Security and Medicare wages to the Pennsylvania Department of Education (PDE) for the 2015-16 school year, which resulted in an underpayment to the District of \$4,435. Each school district is reimbursed for a portion of its employer contributions related to Social Security and Medicare. However, wages that are subsidized by the Federal Government are not eligible to be reported for reimbursement. The District incorrectly calculated its amount of federally funded wages and as a result inaccurately reported reimbursable Social Security and Medicare wages to PDE (see page 14).

Status of Prior Audit Findings and Observations.

There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2018-19 School Year ^A	
Counties	York and Cumberland
Total Square Miles	78
Number of School Buildings	14
Total Teachers	601
Total Full or Part-Time Support Staff	315
Total Administrators	44
Total Enrollment for Most Recent School Year	7,626
Intermediate Unit Number	15
District Career and Technical School	Cumberland Perry Area Vocational-Technical School

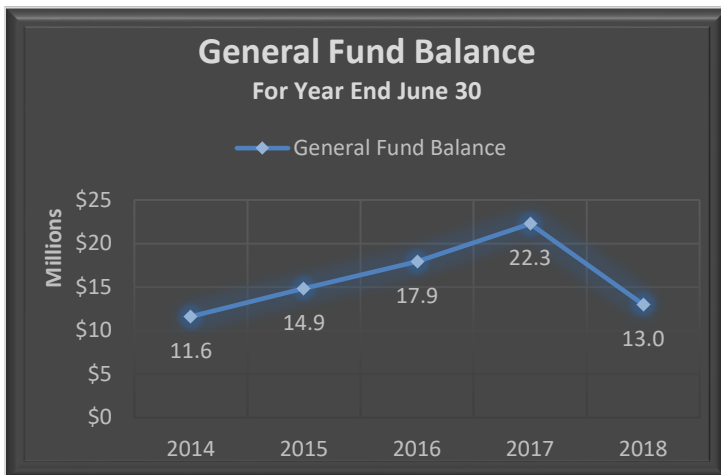
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

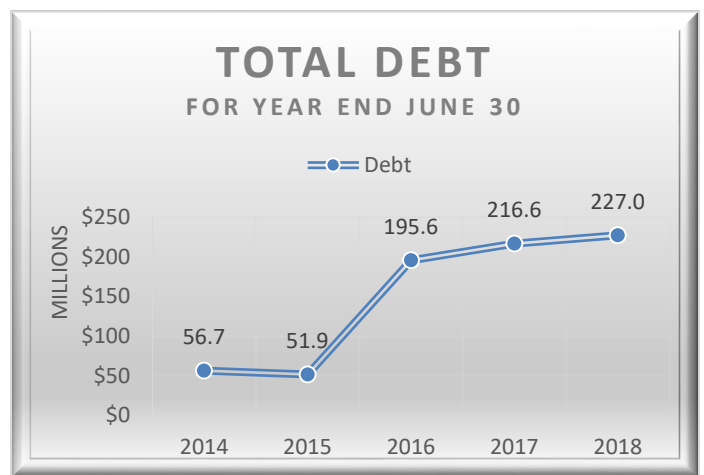
The West Shore School District is committed to providing this generation with a quality education serving as a foundation for responsible and successful citizenship.

Financial Information

The following pages contain financial information about the West Shore School District (District) obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

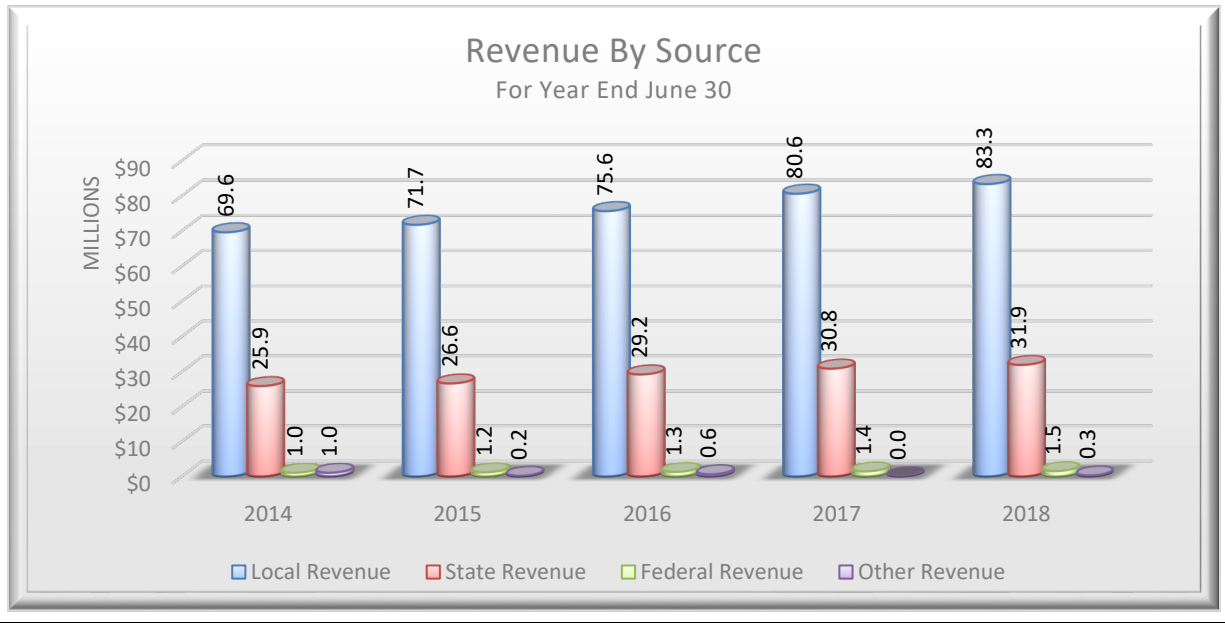
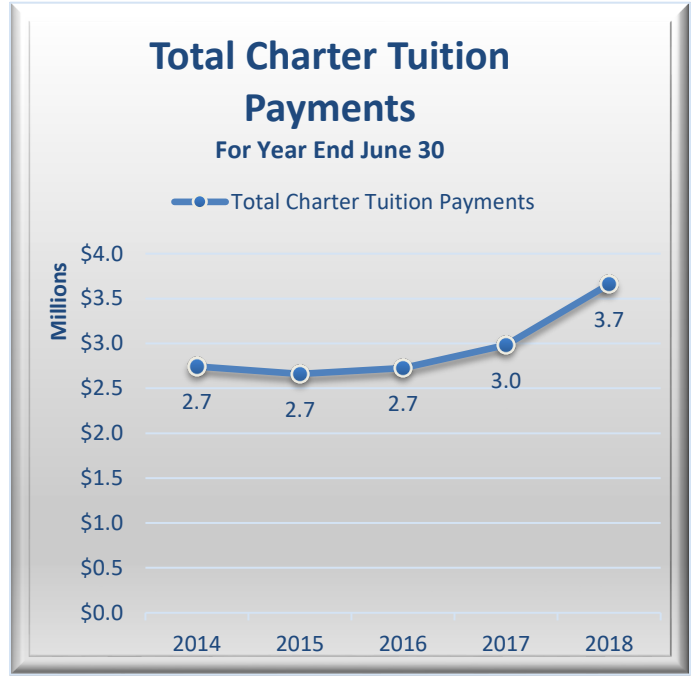
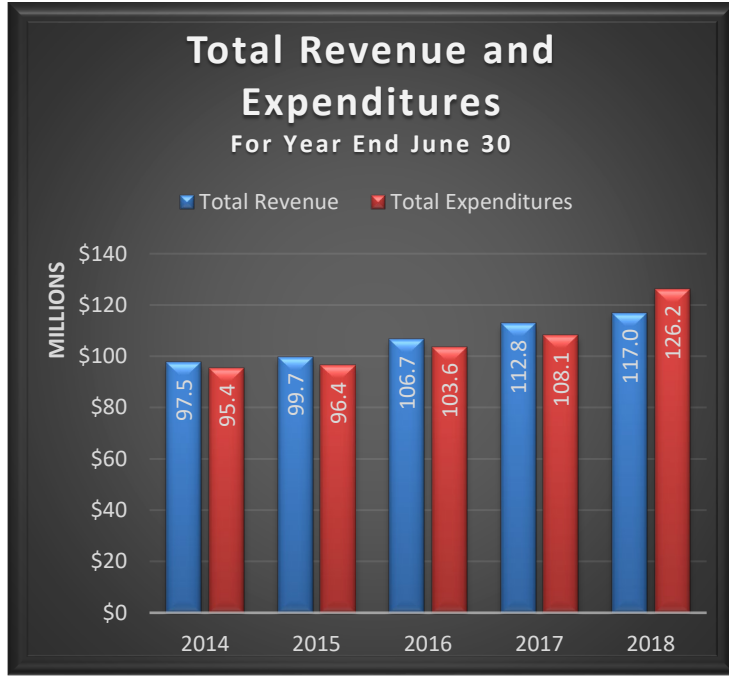


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued

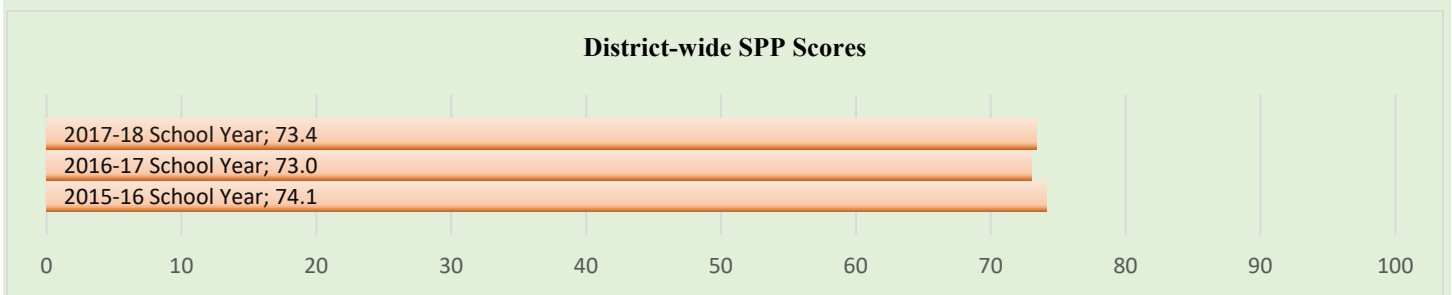


Academic Information

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2015-16, 2016-17, and 2017-18 school years.¹ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

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.²



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

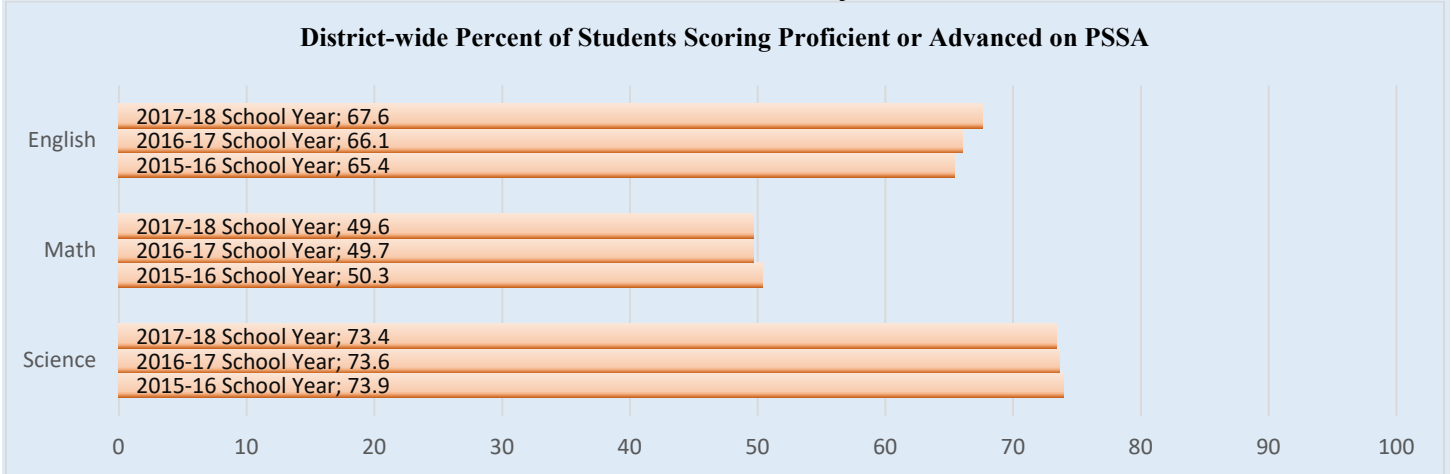
² PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE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

Academic Information Continued

What is the PSSA?

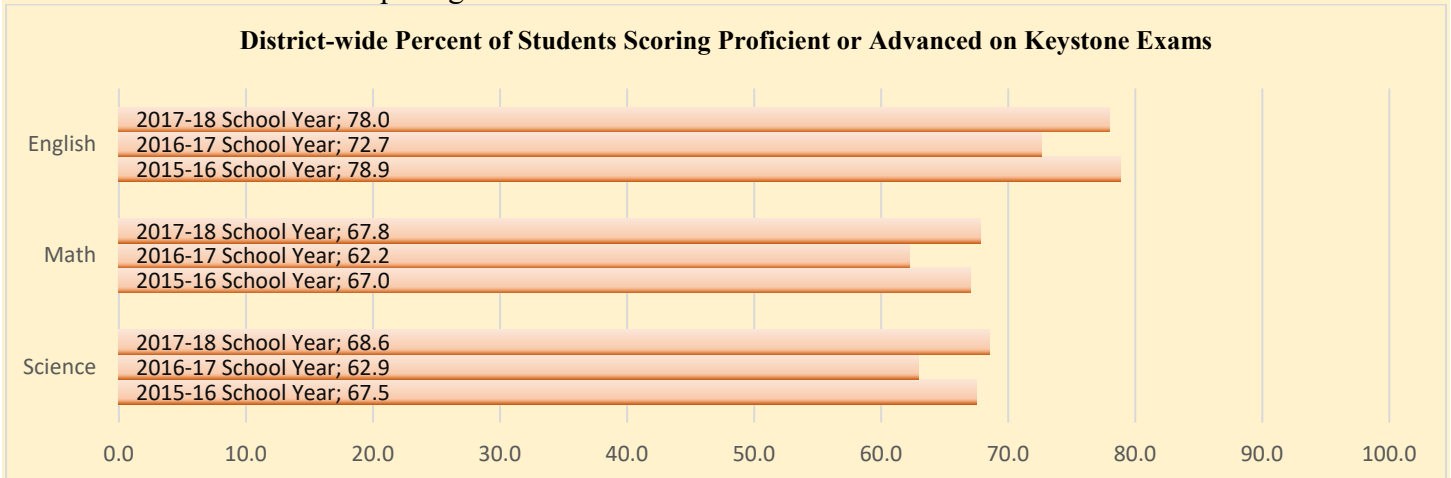
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

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



What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.³ 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.

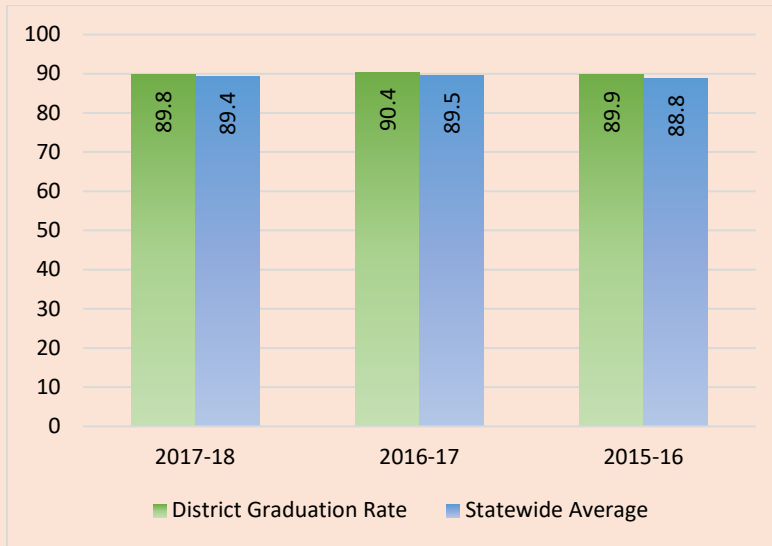


³ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1).

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.⁴



⁴ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information:
<http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate.aspx>.

Findings

Finding No. 1

The District Failed to Retain the Required Documentation to Support the More Than \$5 Million It Received In Transportation Reimbursements

Criteria relevant to the finding:

Record Retention Requirement

Section 518 of the Public School Code (PSC) requires that financial records of a district be retained by the district for a period of **not less than six years**. (Emphasis added.) See 24 P.S. § 5-518.

Student Transportation Subsidy

The PSC provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 (relating to Payments on account of pupil transportation) of the PSC specifies the transportation formula and criteria. See 24 P.S. § 25-2541.

Total Students Transported

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, 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." See 24 P.S. § 25-2541(a).

The West Shore School District (District) did not comply with the record retention provisions of the Public School Code (PSC) when it failed to retain adequate source documentation to verify the accuracy of the \$5,116,115 it received for transportation reimbursements. The District failed to retain supporting documentation for the \$4,376,145 it received in regular transportation reimbursements and the \$739,970 in supplemental transportation reimbursements for the 2014-15, 2015-16, and 2016-17 school years.⁵

School districts receive two separate transportation reimbursement payments from the Pennsylvania Department of Education (PDE). The regular transportation reimbursement is broadly based on the number of students transported, the number of days each vehicle was used to transport 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 charter school and nonpublic school students transported at any time during the school year. The failure to retain adequate supporting documentation precluded us from determining the accuracy of both the District's regular and supplemental transportation reimbursements for the 2014-15 through 2016-17 school years.

Without proper documentation, we were unable to determine the appropriateness of the more than \$5 million in regular and supplemental transportation reimbursements received by the District for the three school years. It is absolutely essential that records related to the District's transportation expenses and reimbursements be retained in accordance with the PSC's record retention provision (for a period of not less than six years) and be readily available for audit. As a state auditing agency, it is concerning to us that the District did not have the necessary and legally required documents available for audit. Periodic auditing of such documents is extremely important for District accountability and verification of accurate reporting.

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 year with PDE in order to be eligible for the

⁵ The District did have appropriate documentation to support the regular transportation and supplemental reimbursement received for the 2017-18 school year.

*Criteria relevant to the finding
(continued):*

Supplemental Transportation Subsidy for Nonpublic School Students

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

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC 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. *See* 24 P.S. § 25-2543.

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.” (Emphasis added.) *Ibid*.

transportation subsidies. The District completed this sworn statement for all school years discussed in this finding. It is essential that the District accurately report transportation data to PDE and retain the support for this transportation data. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on PDE’s reporting requirements. An official signing a sworn statement must be aware that by submitting the transportation data to PDE, he/she is asserting that the information is true and that they have verified evidence of accuracy.⁶

Regular Transportation Reimbursement

Regular transportation reimbursement is based on several components that are reported by the District to PDE for use in calculating the District’s annual reimbursement amount. These components include, but are not limited to, the following:

- Total number of days each vehicle is used to transport students to and from school.
- Miles with and without students for each vehicle.
- Students assigned to each vehicle.

PDE guidelines state that districts are required to report the number of miles per day, to the nearest tenth, that each vehicle travels with and without students. If this figure changes during the year, districts are required to calculate a weighted or sample average. The District did not retain odometer readings or the weighted/sample average calculations for the vehicles reported to PDE during the 2014-15, 2015-16, and 2016-17 school years. Additionally, the District failed to retain supporting documentation for the number of students and the days these students were transported to and from school during the three school years.

The District was able to provide the required source documentation for the vehicles reported to PDE during the 2017-18 school year, but initially the District was unable to produce the sample averages reported to PDE. The District’s current Transportation Supervisor reproduced the sample average for the 2017-18 school year based on the source documentation available. We reviewed that documentation and determined the data reported to PDE was accurate.

⁶ Please note that while a sworn statement is different from an affidavit, in that a sworn statement is not typically signed or certified by a notary public but are, nonetheless, taken under oath. See <https://legaldictionary.net/sworn-statement/> (accessed January 14, 2020).

Criteria relevant to the finding
(continued):

PDE Instructions to Complete the Worksheet for Computing Sample Averages

<https://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20SampleAverageWorksheet.pdf>
(accessed 3/11/19).

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.

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.

The table below shows the student and vehicle data reported to PDE and the regular reimbursements received for each school year in question.

Table 1

West Shore School District Transportation Data Reported to PDE			
School Year	Reported Number of Students Transported	Reported Number of Vehicles	Total Reimbursement Received
2014-15	7,866	84	\$ 1,603,003
2015-16	7,944	88	\$ 1,411,117
2016-17	8,047	89	\$ 1,362,025
Totals	23,857	261	\$ 4,376,145

As illustrated in the table above, the reported number of students transported and the reported number of vehicles increased during the period from the 2014-15 school year through the 2016-17 school year. However, during this time period the total reimbursement received by the District each year decreased. Based on our past accumulative experience, reported information of an inconsistent nature indicates possible errors, and; therefore, warrants a detailed review of the reported information. Additionally, the District needing to re-create the sample averages to support the data reported to PDE for the 2017-18 school year raised concerns about the accuracy of the transportation data reported to PDE in the prior school years.

Failure to Retain Source Documentation

The District’s Superintendent and Director of Operations attributed the lack of source documentation to turnover in the Transportation Supervisor position. The District had multiple employees who were responsible for compiling and maintaining transportation data and source documents during the audit period. However, during the audit period, the Districts multiple transportation supervisors reported to either the District’s current Business Manager or Director of Operations and neither of these officials reviewed the data compiled by the transportation supervisors or ensured that source documentation was retained to support the reimbursements received from PDE.

As previously discussed, the District’s Superintendent signed the sworn statement attesting to the accuracy of the transportation data for all school years we reviewed. The Superintendent stated that he believed a review of the transportation data was occurring before he signed the sworn statement; however, the Superintendent never verified that such reviews were actually occurring.

*Criteria relevant to the finding
(continued):*

Use of this specific form is not a PDE requirement; it has been designed and provided as a service to local education agencies that wish to use it for recording and calculating data that is reported to PDE on the PDE-1049 report in eTran. If used, this form, along with the source documentation that supports the data, should be retained for auditor review.

Number of Nonpublic School Pupils Transported

Enter the total number of resident NONPUBLIC school pupils you transported to and from school. Documentation identifying the names of these pupils should be retained for review by the Auditor General's staff. NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that your district is financially responsible to educate is a PUBLIC pupil.)

We also found that during the audit period the District did not renew its contract with its transportation software vendor. The contract had a clause that required that the transportation database be deleted from the District's server at the conclusion of the contractual relationship. In August 2017, the District's Transportation Supervisor at the time and Director of Operations signed an agreement with the software vendor terminating its relationship and agreeing to delete the transportation database. The District deleted the database without verifying that it had adequate source documentation to support the transportation reimbursements received. The District should have ensured that it had adequate source documentation as required by the PSC prior to signing an agreement where the District lost access to its historical transportation data.

In summary, our discussions with current District officials revealed that the District relied on its various transportation supervisors to compile and report transportation data. District officials who supervised the multiple transportation supervisors during this time did not review the data or even verify that supporting documentation was being retained. Despite having multiple transportation supervisors during the audit period, the District did not develop and implement written procedures that addressed compiling transportation data and retaining source documentation. Further, the District did not require an employee to review the data compiled by the transportation supervisor prior to it being submitted to PDE. Finally, the District did not ensure that it retained adequate source documentation to support transportation reimbursements prior to signing an agreement with its former transportation software vendor to terminate its relationship and delete the transportation database.

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.⁷ The PSC requires school districts to provide transportation services to students who reside in its district and who attend a nonpublic school and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.

⁷ See Section 921.1-A(b) (relating to "Definitions") of the PSC, 24 P.S. § 9-922.1-A (b).

The table below illustrates the number of nonpublic school students reported to PDE as transported during the 2014-15 through 2016-17 school years and the supplemental transportation reimbursement received for those school years.

Table 2

West Shore School District Supplemental Transportation Data		
School Year	Nonpublic School Students Reported to PDE	Supplemental Transportation Reimbursement Received⁸
2014-15	647	\$ 249,095
2015-16	649	\$ 249,865
2016-17	626	\$ 241,010
Total	1,922	\$ 739,970

The District relied on its multiple transportation supervisors to compile the number of nonpublic school students transported during the audit period. When we requested the list of nonpublic school students for the 2014-15, 2015-16, and 2016-17 school years, the District was unable to provide a list of students that agreed with the numbers reported to PDE. Furthermore, the significant decrease in nonpublic school students reported to PDE for reimbursement for the 2016-17 school year highlights the need for this information to be reviewed for accuracy. Finally, the District was unable to provide bus rosters or individual requests for transportation to support the number of nonpublic school students reported to PDE for all three school years. Therefore, we were unable to determine the accuracy of the \$739,970 the District received in Commonwealth reimbursements.

The District did not have monitoring and review procedures to ensure accurate reporting of supplemental transportation data and to ensure that appropriate documentation was retained to support the student numbers reported to PDE. The District also did not ensure that the data was reviewed prior to reporting it to PDE.

The District failed in its fiduciary duties to taxpayers and was not in compliance with the PSC by not retaining this information. Without the documentation, we could not determine whether the amount of regular and supplemental transportation reimbursement received was appropriate for the 2014-15 through 2016-17 school years. Transportation expenses and the subsequent reimbursements from PDE are significant factors that can impact the District's overall financial position. Therefore, it is in the best interest of the District to ensure that it regularly and consistently meets its

⁸ Calculated by multiplying nonpublic school students reported by \$385.

fiduciary and statutory duties and complies with the PSC's record retention requirements.

Recommendations

The *West Shore School District* should:

1. Immediately take the appropriate administrative measures to ensure that it retains all documentation supporting the transportation data reported to PDE, including student bus rosters, mileage average calculations, and nonpublic school student requests for transportation in accordance with the PSC's record retention requirements.
2. Establish a safe and adequate location to store all source documents and calculations supporting the transportation data submitted to PDE.
3. Establish internal controls over transportation reporting. These internal controls should include the following: 1) a review of the transportation data by an employee other than the employee preparing the data and 2) a higher-level review of the data by the Director of Transportation Operations. These reviews should include tracing some data elements to source documents and calculations to provide reasonable assurance that necessary supporting documentation is available.
4. Ensure that record retention procedures are documented and staff are trained on the procedures.
5. Ensure that sworn statements are not signed by the Superintendent unless the transportation data is being reviewed by someone who is trained on PDE reporting requirements.

Management Response

District management agreed with the finding and provided the following response:

“The District agrees that the necessary documentation was not available for review during the audit. The District believes records were lost during the transition of Supervisor of Transportation. During the years in question, the former, long-time transportation supervisor was meticulous in keeping paper copies of source documentation. However, as a new supervisor entered, records were discarded erroneously.

“With regard to the transportation database, as noted in discussion, the District believed there was sufficient paper copies to support the information completed for the transportation subsidy. Additionally, the software was primarily a routing software and would only have had a piece of the missing data, whether that was specific route or roster information. The District does not believe the database would have

provided the level of detail the audit was often seeking, particularly on roster information for eligible non-public school students.

“As a result of the Finding, the District will comply with the recommendations provided by the audit.”

Auditor Conclusion

We are encouraged that the District plans to implement our recommendations. We believe our recommendations will help ensure that the District complies with the PSC and meets its fiduciary responsibilities to taxpayers. We will review the implementation of recommendations during our next audit of the District.

Finding No. 2**Errors Related to the District’s Social Security and Medicare Reimbursements Resulted in an Underpayment of \$4,435***Criteria relevant to the finding:*

The Federal 1986 Omnibus Budget Reconciliation Act requires local education agencies (LEA) to deposit Social Security and Medicare tax contributions for wages earned on or after January 1, 1987, directly to authorized depositories or Federal Reserve banks. LEAs were required to pay the full amount of the employer’s tax due, including the Commonwealth’s share, which is 50 percent of the employer’s share of tax due for employees employed by an LEA prior to July 1, 1994 (existing employees). LEAs were subsequently reimbursed for the Commonwealth’s matching share based on the wages reported to PDE, excluding wages paid with federal funds. (See Pub. L. 99-509.)

The District inaccurately reported Social Security and Medicare wages to PDE for the 2015-16 school year, which resulted in an underpayment to the District of \$4,435. Each school district is reimbursed for a portion of its employer contributions related to Social Security and Medicare. However, wages that are subsidized by the Federal Government are not eligible to be reported for reimbursement. The District incorrectly calculated its amount of federally funded wages and as a result inaccurately reported reimbursable Social Security and Medicare wages to PDE.

The table below shows the underpayment that resulted from the District’s reporting error in the 2015-16 school year.

West Shore School District Social Security and Medicare Reimbursement			
School Year	Original Reimbursement Received	Recalculated Amount	(Underpayment)⁹
2015-16	\$1,651,293	\$1,655,729	(\$4,435)

The District made two separate errors during the 2015-16 school year that led to the underpayment noted in the table above. First, the District-created spreadsheet used to report reimbursable wages to PDE identified federally funded wages separately from total wages, but the spreadsheet incorrectly calculated the federally funded wages. This error in calculation led to the under reporting of federally funded wages to PDE. Second, the District made a clerical input error when reporting total wages for reimbursement to PDE and intended to enter \$278,973; however, \$27,973 was reported to PDE. The net result of both errors resulted in the District being underpaid \$4,435 in Commonwealth reimbursement for the 2015-16 school year.

⁹ The Social Security and Medicare reimbursement amount is calculated by subtracting federally funded wages from the total amount of Social Security Medicare wages. The adjusted total amounts are then subject to the following multipliers: 1) Social Security wages are subject to 0.0620 x (Market Value/Personal Income aid ratio which is 0.3941 or 0.5, whichever is higher) and 2) Medicare wages are subject to 0.0145 x (Market Value/Personal Income aid ratio which is 0.3941 or 0.5, whichever is higher). These two calculated amounts are added to arrive at the reimbursement amount.

Criteria relevant to the finding (criteria):

In 1994, the Pennsylvania General Assembly enacted Act 29 to further change the way in which LEAs are reimbursed for Social Security and Medicare contributions by providing the LEAs with Social Security and Medicare employer shares for employees who had never been employed by a LEA prior to July 1, 1994 (new employee) based on the LEA's aid ratio or 50 percent, whichever is greater. LEAs are subsequently reimbursed for the Commonwealth's matching share based on wages reported to PDE, excluding wages paid with federal funds. *See also* Section 8329 (relating to Payments on account of Social Security deductions from appropriations) of the Public School Employees' Retirement Code, 24 Pa.C.S. § 8329, and the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools. *See* <https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Comptrollers%20Office/Manual%20of%20Accounting.pdf> (accessed 4/1/2020)

Our discussions with current District officials revealed that the District was reliant on four different employees to compile and report Social Security and Medicare wages during the audit period. District officials who supervised this process during this time did not review the wage data prior to reporting it to PDE. Despite having multiple employees compiling and reporting reimbursable wages during the audit period, the District did not develop and implement written procedures that addressed this process. Additionally, the District did not require an employee to review the data compiled prior to reporting it to PDE.

We provided the information related to this underpayment to PDE for adjustment of the District's future Social Security and Medicare reimbursements.

Recommendations

The *West Shore School District* should:

1. Ensure that all employees involved in compiling and reporting Social Security and Medicare wages to PDE have been adequately trained on this process.
2. Develop and implement written procedures related to compiling and reporting Social Security and Medicare wages to PDE. Ensure that these procedures require a documented internal review of the total wages and federally funded wages prior to submission to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future Social Security and Medicare reimbursement payments to resolve the underpayment of \$4,435.

Management Response

District management agreed with the finding and provided the following response:

“The District agrees with the Department of Auditor General’s Findings that Social Security & Medicare wages were not reported accurately. In summary, during July-August of 2016, the Director of Business Affairs, was reviewing the PDE 339 completed by previous Payroll Bookkeeper, when she questioned the amount of Federal Wages listed. Upon additional review by the Director of Business Affairs, it was discovered that in addition to Federal Wages being under-reported, the total wage column was incorrect because it only listed non-federal wages.

“The Director of Business Affairs worked with a Subsidy Administration Supervisor from PDE in August-September 2016 to correct and revise the reports.

“Error #1 - Incorrect federally funded totals-the District’s software tracks federal funded salaries by ASN # in position control for each position and location. The ASN # must then be entered into each individuals pay rates in the employee record. At the end of each quarter, the Federal FICA/Medicare Report needs verified. This process was not followed properly. This problem was corrected in 2016 with new procedures/guidelines that the District put in place.

“Error #2 - On PDE 2105 the total column did not include both federal and non-federal salaries, it only included non-federal salaries. This resulted in federal salaries being deducted twice. This error continued for 5 years: 2010-11; 2011-12; 2012-13; 2013-14; 2014-15. The District received \$332,189.03 from PDE for the underpayments. The District also corrected the 2015-16 report by correcting the Federal Funded employees and the “total column.” On this report a number was transposed which was caught by the State Auditors during their review.

“From the time this issue was discovered in July-August 2016, the District has established and maintained guidelines and procedures to ensure the report is completed and reconciled completely. The District will also reconcile the wages to the 941 report as recommended by State Auditors.”

Auditor Conclusion

Despite the District discovering the Social Security and Medicare reporting errors during the July-August 2016 time period and implementing additional guidelines and procedures, errors continued as noted in our finding. While we are pleased that the District will implement our recommendation to reconcile reported wages to the 941 report, we continue to recommend that District employees are trained in regard to Social Security and Medicare reporting and additional internal controls are established over this process. We will review the implementation of the District’s corrective actions during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the West Shore 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,¹⁰ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

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

The West Shore School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).¹¹ In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

¹⁰ 72 P.S. §§ 402 and 403.

¹¹ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2014 through June 30, 2018. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- ❖ Transportation Operations
- ❖ Social Security Reimbursements
- ❖ Nonresident Student Data
- ❖ Bus Driver Requirements
- ❖ School Safety

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

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹²
 - To address this objective, we assessed the District's internal controls for obtaining, processing, and reporting transportation data to PDE. We randomly selected 10 of 100 vehicles used to transport District students during the 2017-18 school year.¹³ For the vehicles selected, we obtained odometer readings, school calendars, and student rosters to determine if the District accurately calculated and reported vehicle data to PDE and if the District was reimbursed accurately. Our review of this information did not disclose reportable errors for the 2017-18 school year. We attempted to review the transportation data reported by the District to PDE for the 2014-15, 2015-16, and 2016-17 school years. We attempted to obtain odometer readings, school calendars and student rosters for these school year; however, the District was unable to provide this information. See Finding No. 1 on page 7 for more information about this objective.
 - Additionally, we reviewed all 506 nonpublic school students and 22 charter school students reported by the District to PDE as transported during the 2017-18 school year. We interviewed District officials to get an understanding of how the District categorized and reported nonpublic school and charter school students, and we reviewed transportation rosters along with individual student's requests for transportation to ensure that the District accurately reported this data. Our review of this information did not disclose reportable errors for the 2017-18 school year. We attempted to review all nonpublic school students reported to PDE by the District during the 2014-15, 2015-16, and 2016-17 school years.¹⁴ However, when we attempted to review

¹² See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹³ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁴ The District reported 647 nonpublic school students transported during the 2014-15 school year, 649 nonpublic school students transported during the 2015-16 school year, and 626 nonpublic school students transported during the 2016-17 school year.

transportation rosters and individual student's requests for transportation the District was unable to provide this documentation. See Finding No. 1 on page 7 for more information about the review of this objective.

- Finally, we randomly selected 60 of the 703 students reported by the District as non-reimbursable and 60 of the 1199 students reported by the District as reimbursable due to residing on a Penn-DOT defined hazardous route for the 2017-18 school year.¹⁵ We interviewed District officials to get an understanding of how the District categorized and reported both groups of students, and we reviewed transportation rosters, Penn-DOT hazardous route approvals, and individual student's information to ensure that the District accurately reported this data. Our review of this information did not disclose reportable errors for the 2017-18 school year.
- Did the District correctly calculate and report Social Security and Medicare wages to PDE for District employees, and did the District receive the correct amount of reimbursement from PDE?¹⁶
 - To address this objective, we obtained and reviewed IRS 941 quarterly tax returns, Reimbursement of Social Security and Medicare Tax Contributions forms, and the District's revised wage reports for the 2015-16 school year. We interviewed District officials to understand the need for revised wages reports to be submitted and documented understanding of the District's reporting of Social Security and Medicare wages. Finally, we verified Social Security and Medicare reimbursements by recalculating the amounts due to the District. Our review of this objective disclosed reportable issues as outlined in Finding No. 2 on page 14.
- 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 reviewed all 80 nonresident foster students reported to PDE as educated by the District during the 2016-17 and 2017-18 school years. We reviewed documentation confirming 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 verified that the District received correct reimbursement for the education of these students. Our review of this objective did not disclose any reportable issues.
- 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?

¹⁵ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁶ See 24 P.S. § 8329.

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 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8.

- To address this objective, we assessed the District’s internal controls for maintaining and reviewing required bus driver qualification documents and procedures for being made aware of who transported students daily. We determined if all drivers were board approved by the District. We randomly selected 23 of the 91 bus and van drivers transporting District students as of January 9, 2020.²⁰ We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, would ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.
- Did the District comply with requirements in the Public School Code and the Pennsylvania Emergency Management Code related to emergency management plans, bullying prevention, memorandums of understanding with local law enforcement, and fire drills?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, evidence of physical building security assessments, anti-bullying policies, safety committee meeting minutes, and fire drill reporting data. In addition, we conducted on-site reviews at one of the District’s buildings for each grade level, elementary, middle, and high schools, to assess whether the District had implemented basic safety practices.²² Due to the sensitive nature of school safety, the results of our review of this objective area 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.²³

²⁰ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

²¹ 24 P.S. § 13-1301-A *et seq.*, 35 Pa.C.S. § 7701, and 24 P.S. § 15-1517.

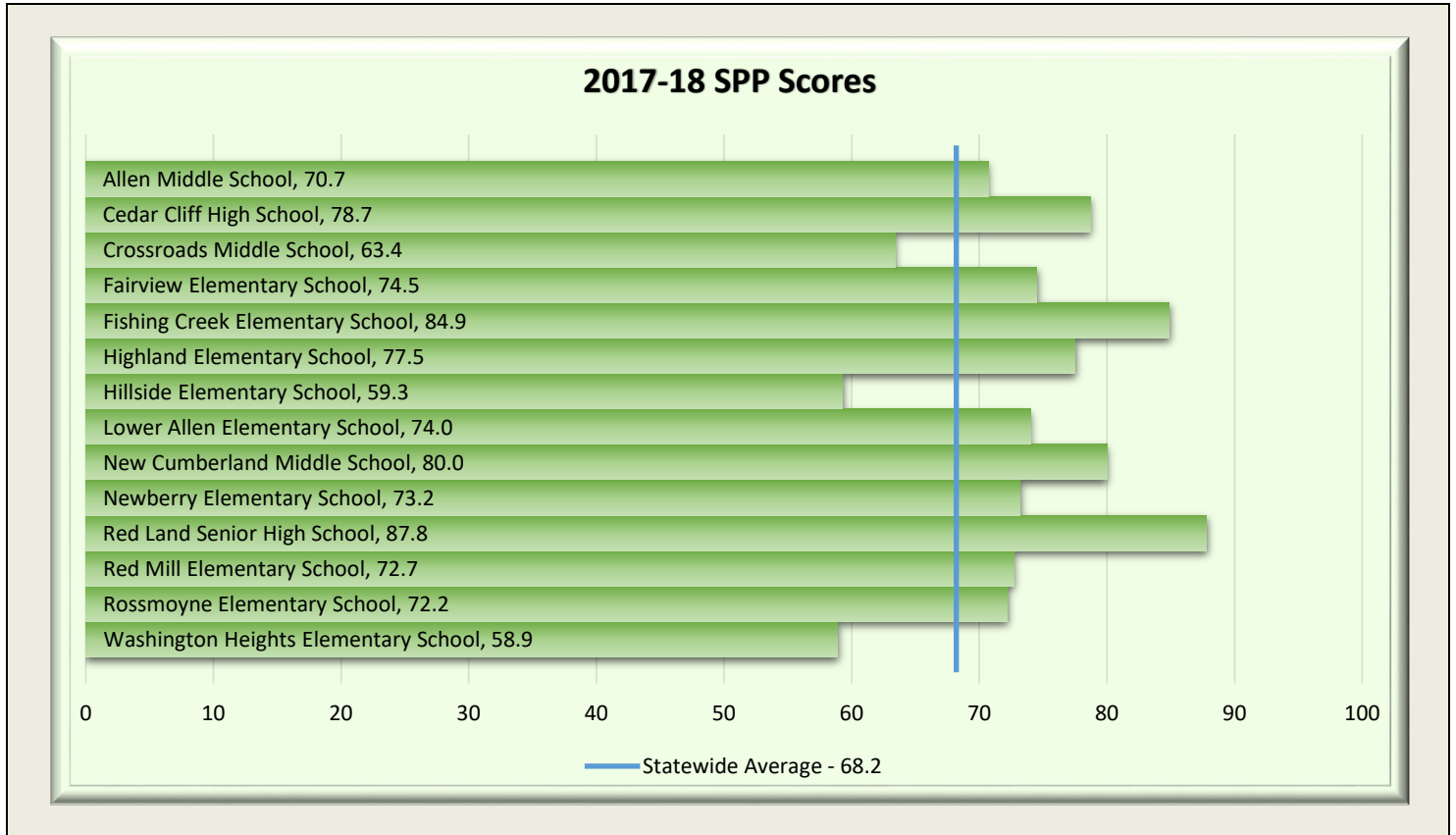
²² Buildings selected for a physical walk through were selected based on proximity to the District’s administration building; accordingly the results of this audit procedure are not, and should not be, projected to the population.

²³ Other law enforcement agencies include the Pennsylvania State Police, the Office of Attorney General, and local law enforcement with jurisdiction over the District’s school buildings.

Appendix B: Academic Detail by Building

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.²⁴ 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.²⁵

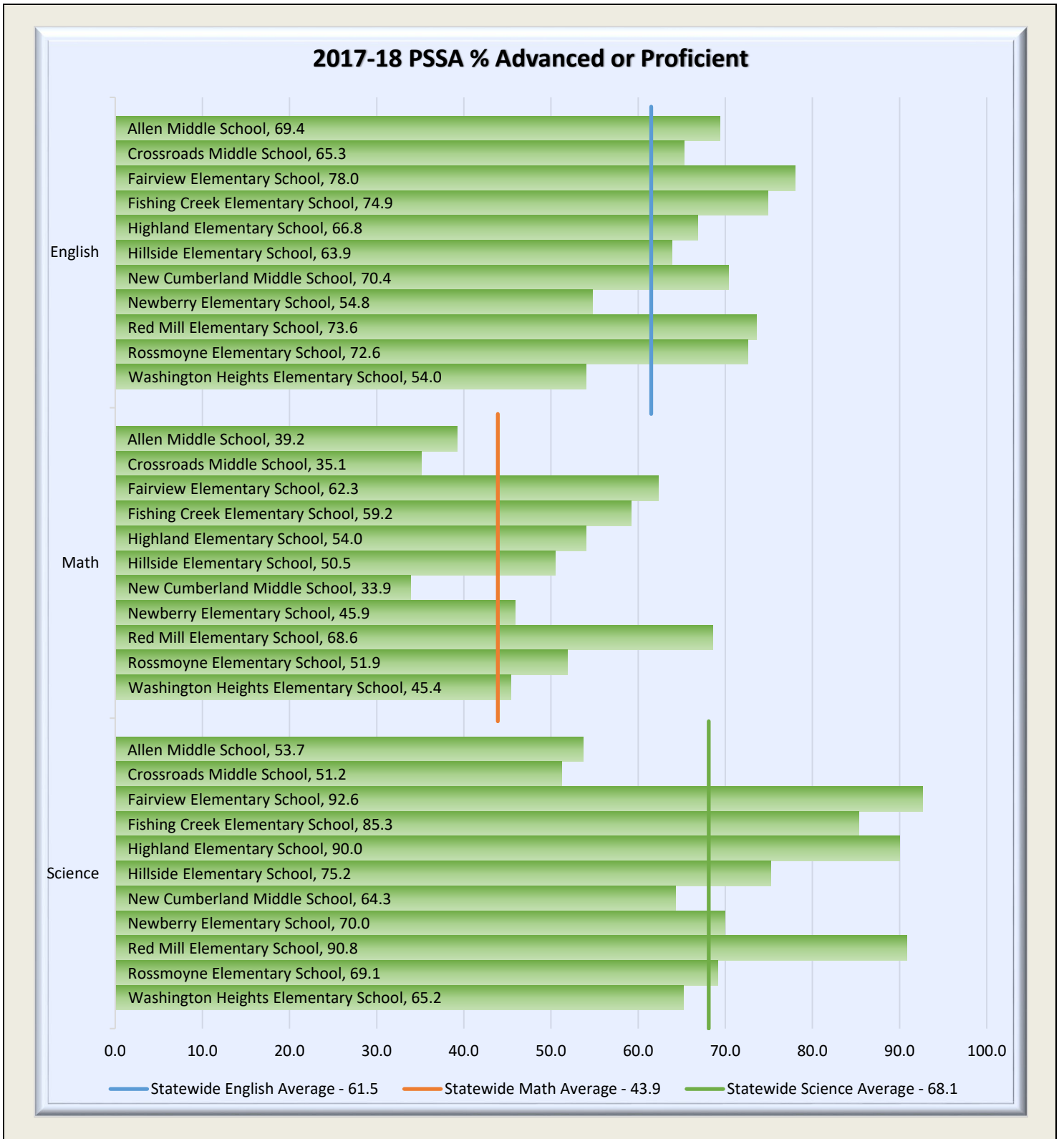
2017-18 Academic Data School Scores Compared to Statewide Averages



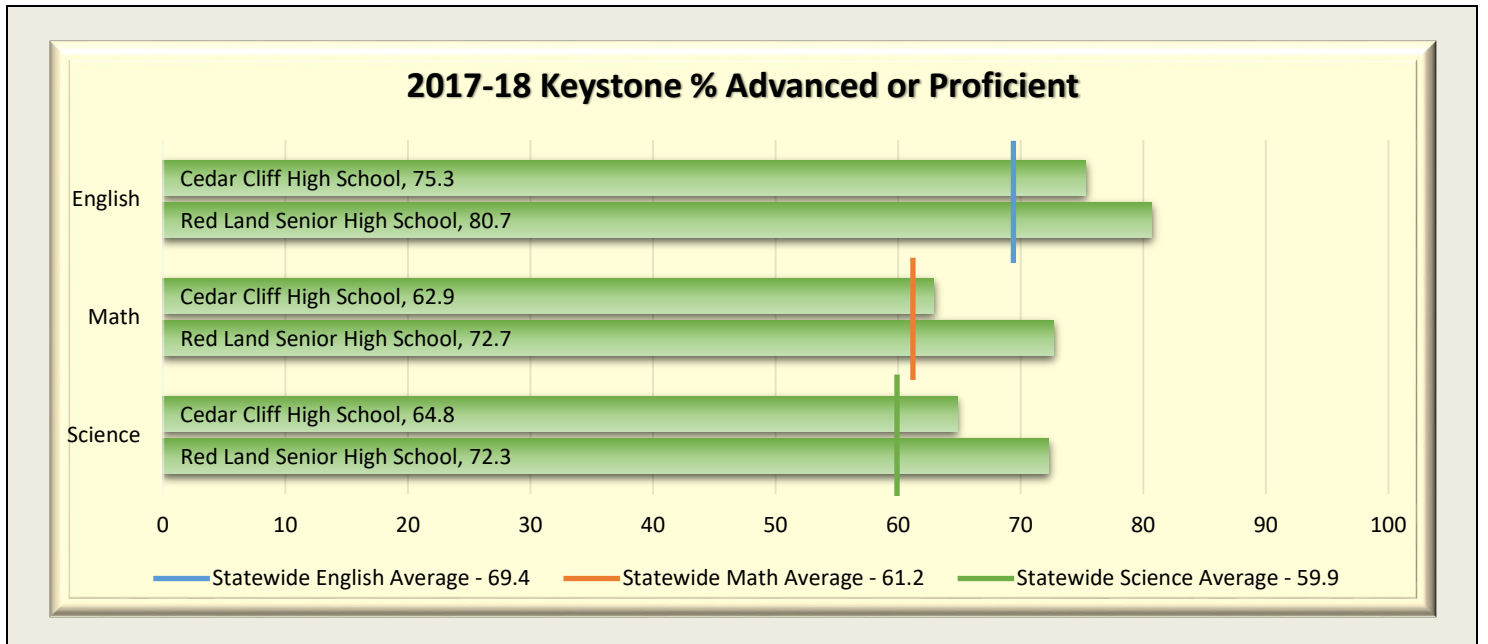
²⁴ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

²⁵ 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.

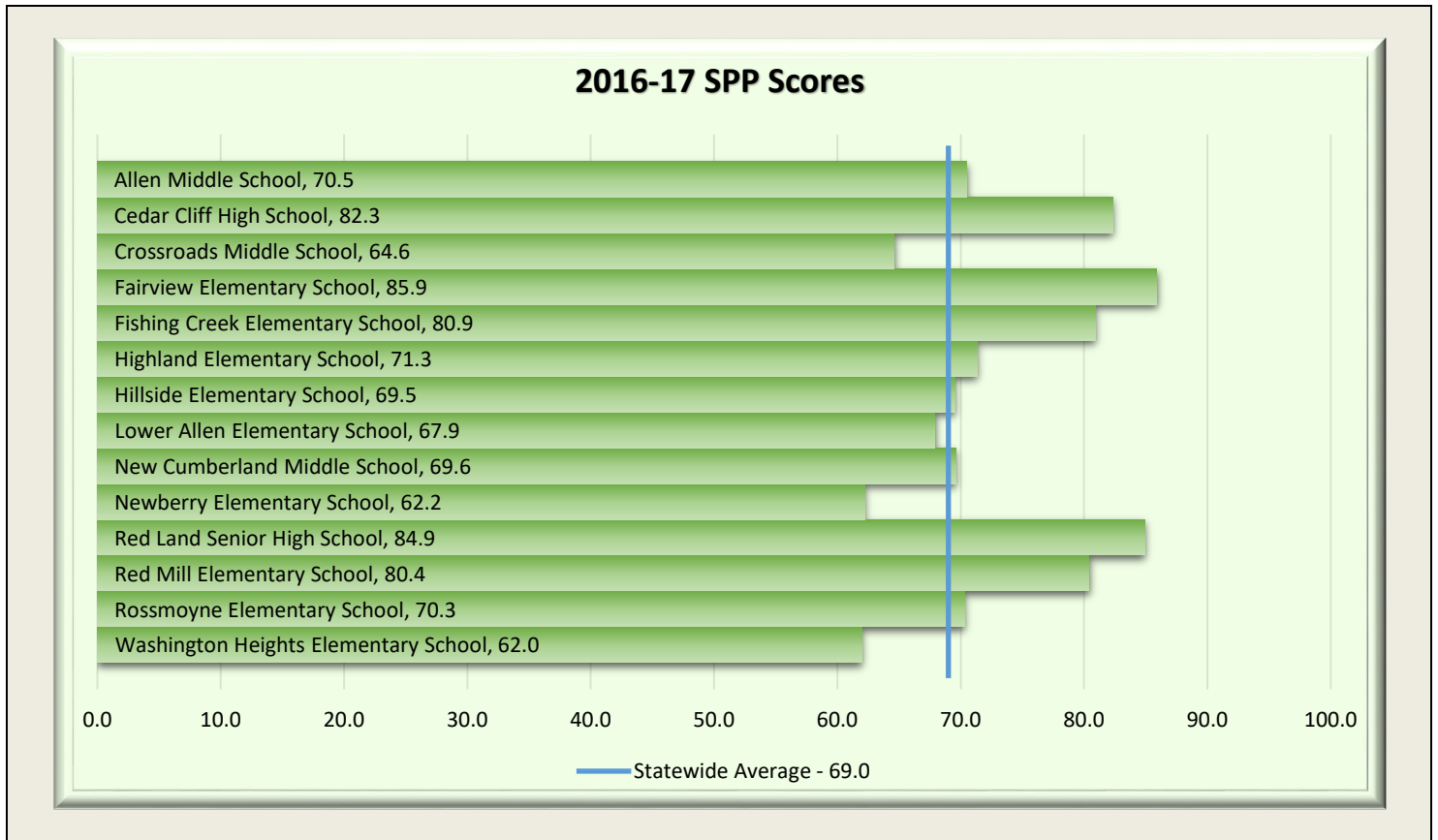
2017-18 Academic Data
School Scores Compared to Statewide Averages (continued)



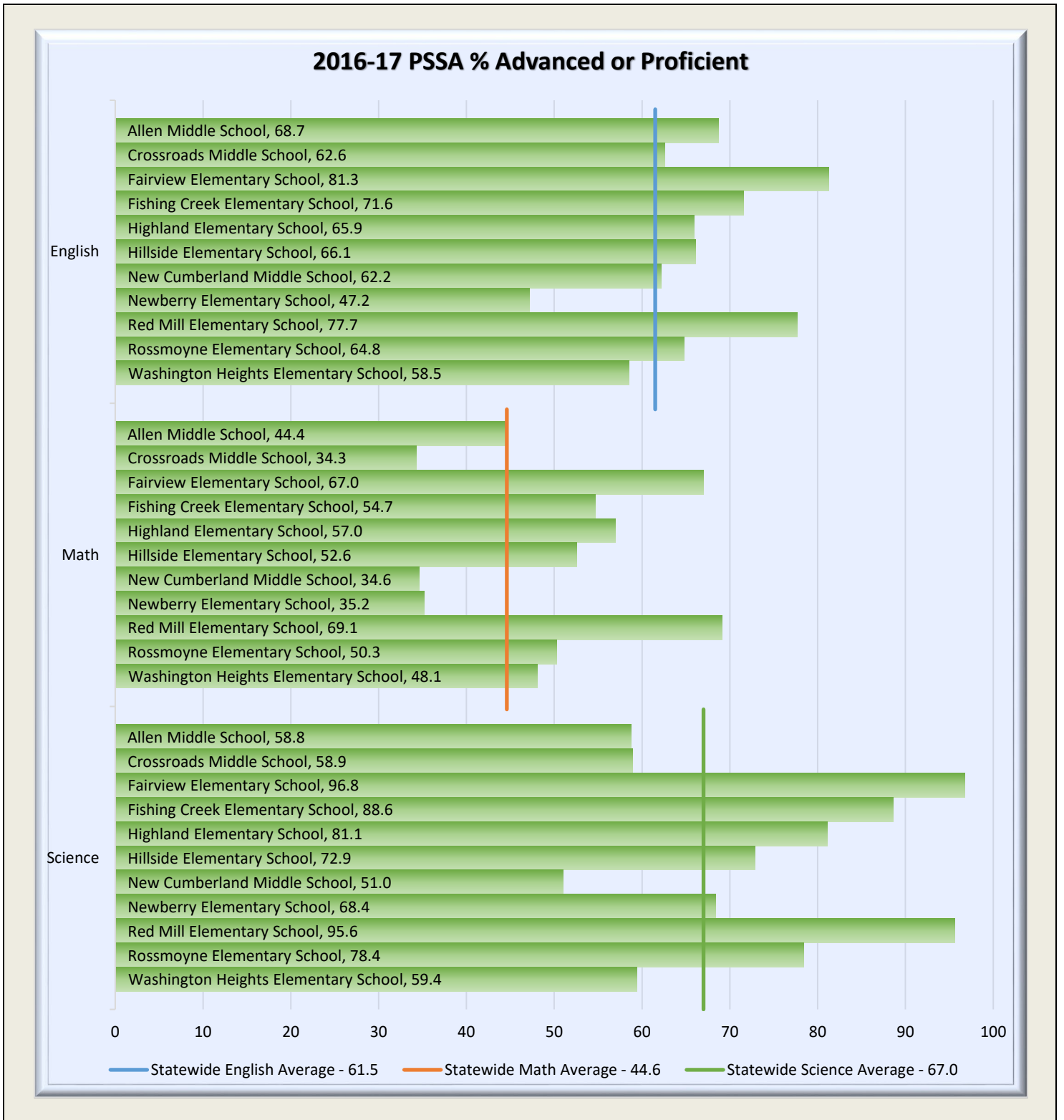
2017-18 Academic Data
School Scores Compared to Statewide Averages (continued)



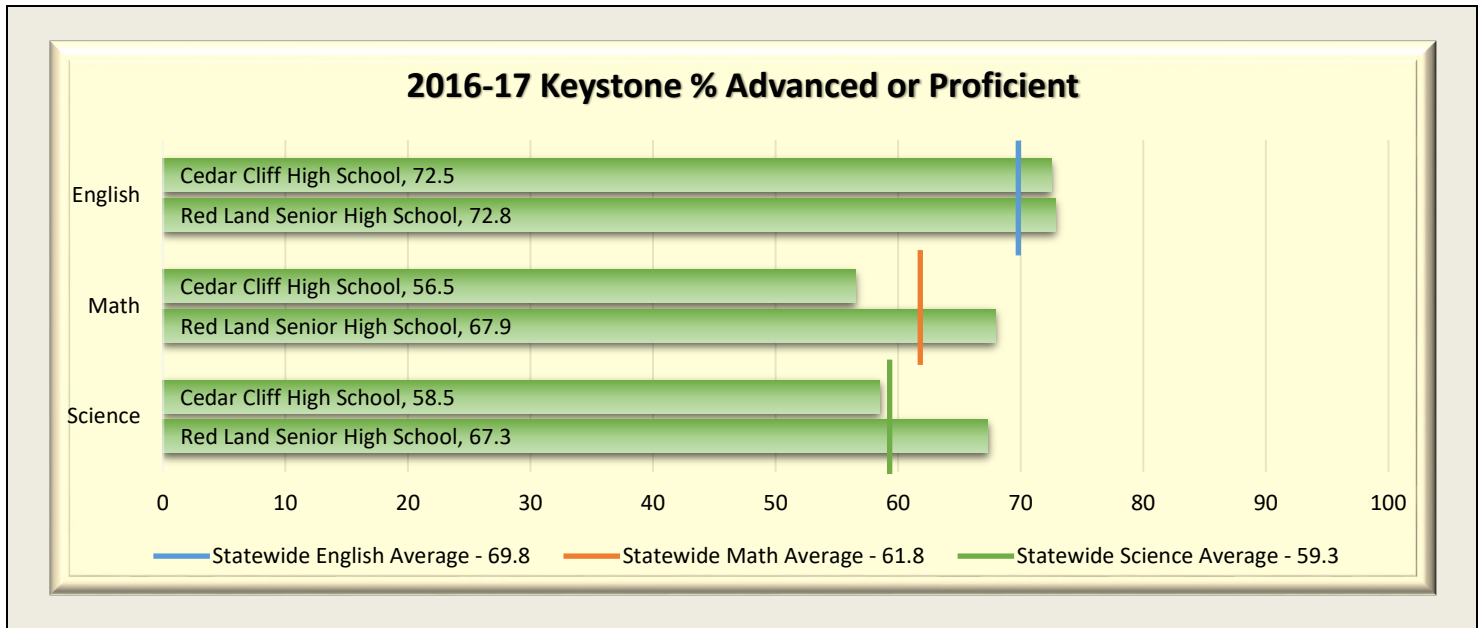
2016-17 Academic Data
School Scores Compared to Statewide Averages



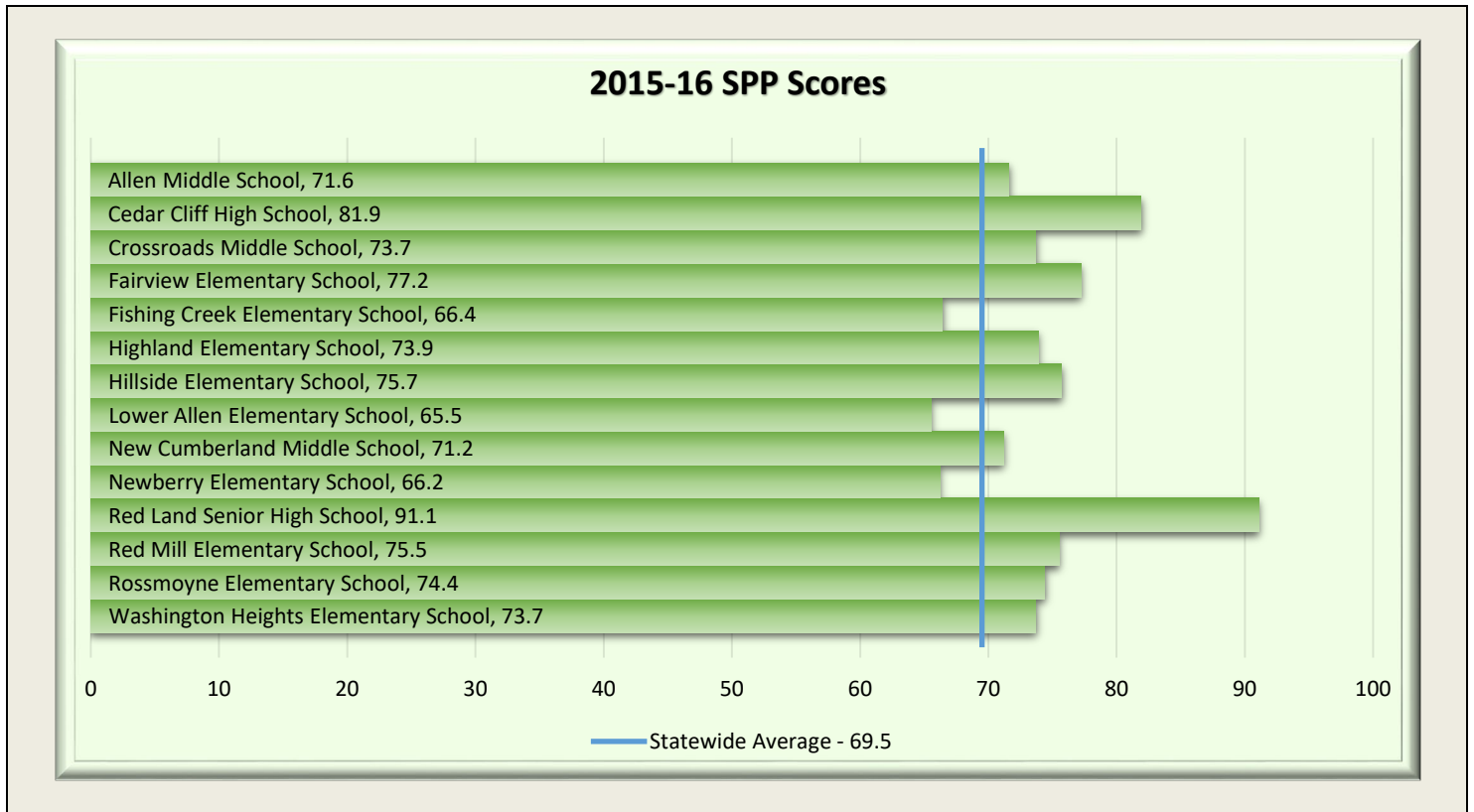
2016-17 Academic Data
School Scores Compared to Statewide Averages (continued)



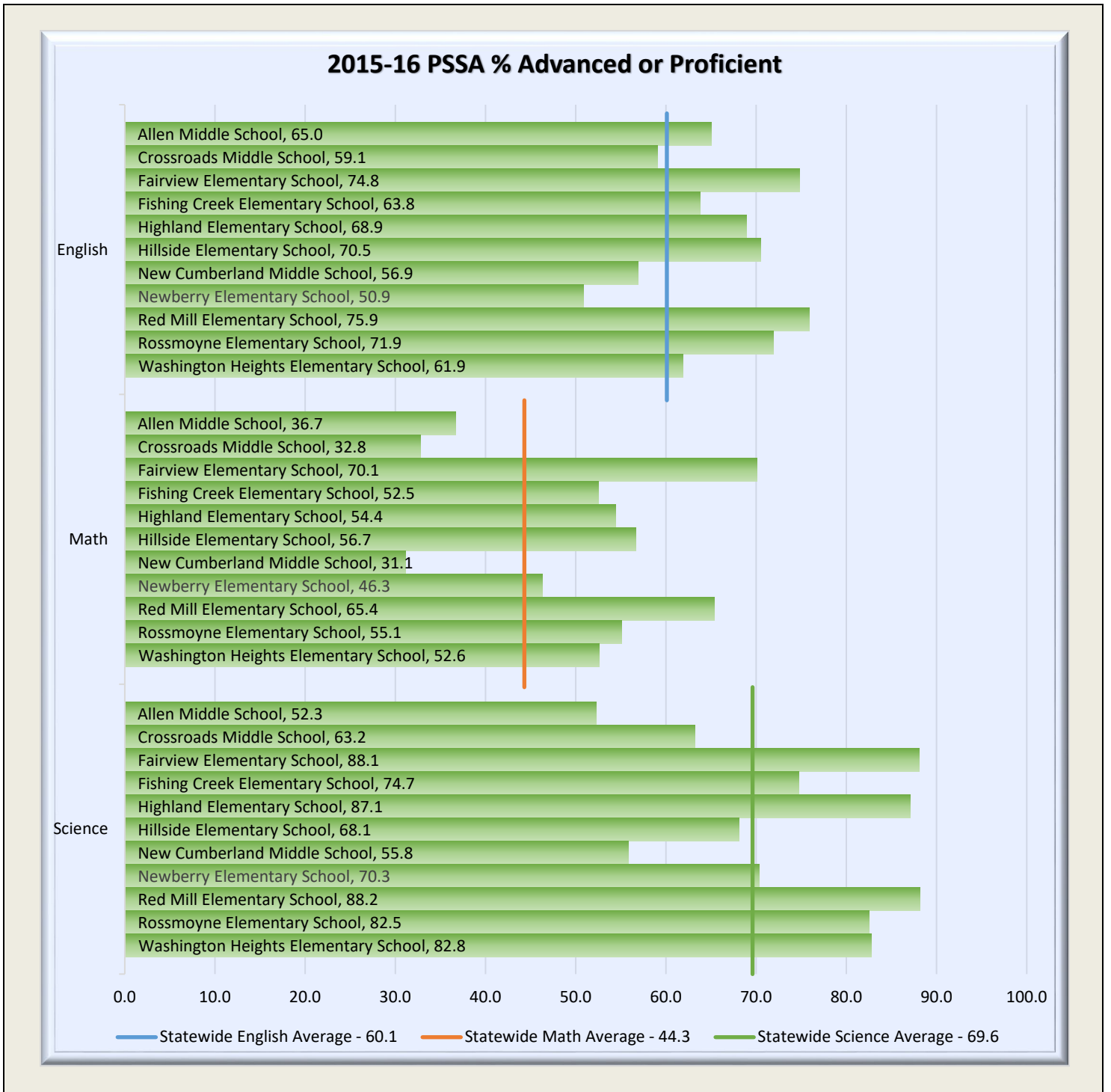
2016-17 Academic Data
School Scores Compared to Statewide Averages (continued)



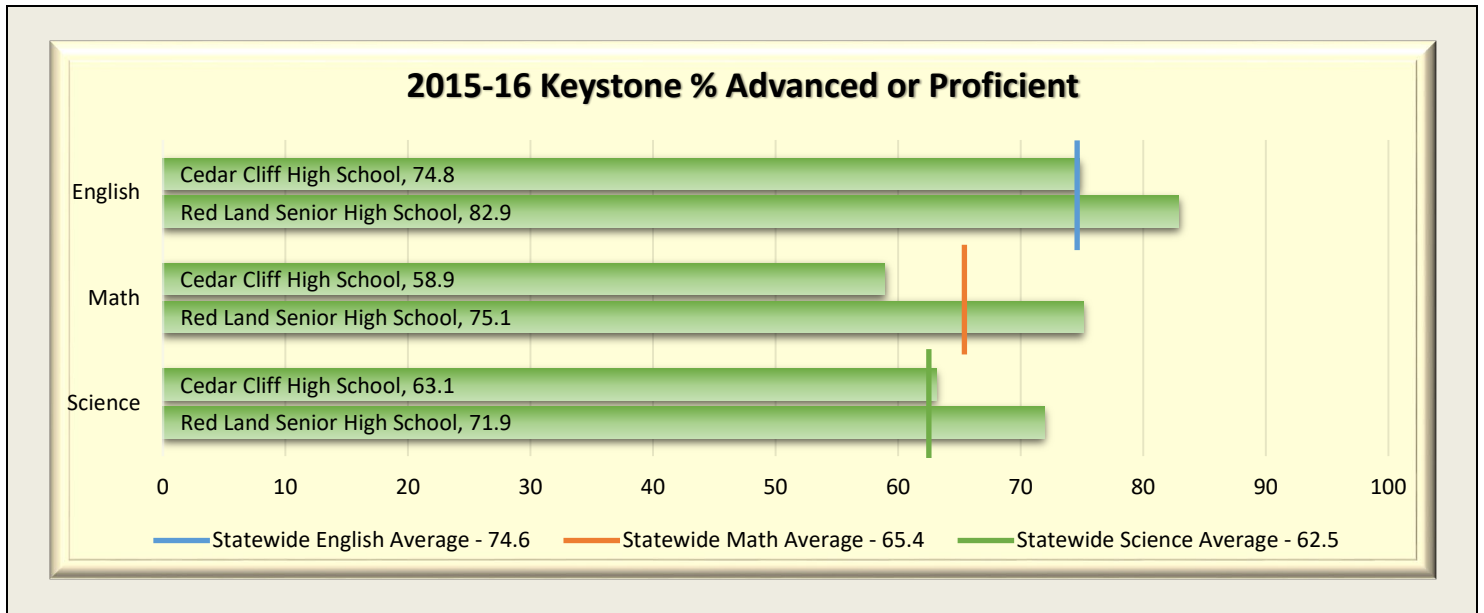
2015-16 Academic Data
School Scores Compared to Statewide Averages



2015-16 Academic Data
School Scores Compared to Statewide Averages (continued)



2015-16 Academic Data
School Scores Compared to Statewide Averages (continued)



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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