

# PERFORMANCE AUDIT

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## Wyoming Valley West School District Luzerne County, Pennsylvania

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November 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Irvin T. DeRemer, Superintendent  
Wyoming Valley West School District  
450 North Maple Avenue  
Kingston, Pennsylvania 18704

Mr. Joseph Mazur, Board President  
Wyoming Valley West School District  
450 North Maple Avenue  
Kingston, Pennsylvania 18704

Dear Mr. DeRemer and Mr. Mazur:

Our performance audit of the Wyoming Valley West School District (District) evaluated the application of best practices in the area of finance. In addition, this audit 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 applied best practices in the areas listed above and 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

November 4, 2019

cc: **WYOMING VALLEY WEST SCHOOL DISTRICT** Board of School Directors

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## Executive Summary

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wyoming Valley West School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2014 through June 30, 2018, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix). Compliance specific to state subsidies and reimbursements was determined for the 2014-15 through 2017-18 school years.

### **Audit Conclusion and Results**

During our audit, we 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: A Cumulative Operating Deficit Reduced the District's General Fund Balance to \$71,916 as of June 30, 2018, Significantly Below the Recommended Level.**

Our review of the District's financial position over a four-year period revealed that the General Fund balance decreased significantly. On July 1, 2014, the District's General Fund balance was \$4,439,272. Due to operating deficits in each fiscal year of our review, the District's General Fund balance decreased each year. As of June 30, 2018, the District's General Fund balance was \$71,916, considerably less than the fund balance recommended by the Government Finance Officers

Association. The decrease in the District's General Fund balance has put the District in a difficult financial position and led to the District utilizing its Capital Projects funds to meet debt service obligations and help fund District operations. (See page 7).

#### **Finding No. 2: Transportation Reporting Errors by the District Resulted in a Net Overpayment to the District of \$5,134 During the 2013-14 Through 2016-17 School Years.**

The District was overpaid \$5,134 in transportation reimbursements from the Pennsylvania Department of Education. This net overpayment was due to the District inaccurately reporting the number of non-reimbursable students transported during the 2013-14, 2014-15, 2015-16, and 2016-17 school years. (See page 20).

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

With regard to the status of our prior audit recommendations, we found the District implemented all of our recommendations pertaining to the failure to bill and collect tuition for nonresident student membership. (See page 24).

## Background Information

School Characteristics 2018-19 School Year <sup>A</sup>	
County	Luzerne
Total Square Miles	14
Number of School Buildings	7
Total Teachers	325
Total Full or Part-Time Support Staff	600
Total Administrators	24
Total Enrollment for Most Recent School Year	4,622
Intermediate Unit Number	18
District Vo-Tech School	West Side Area Career and Technology Center

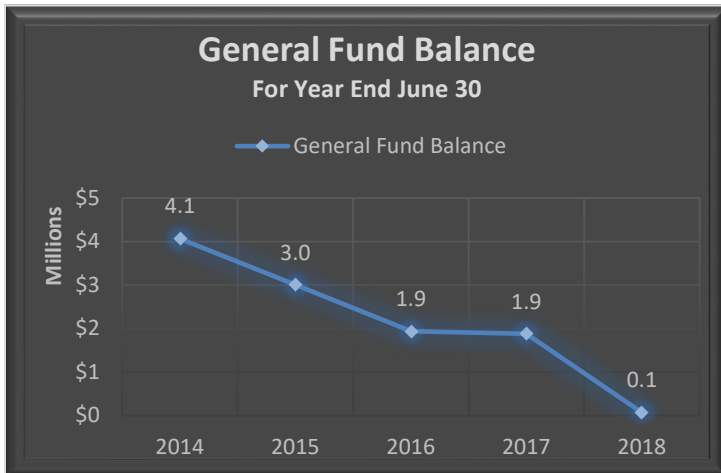
A - Source: Information provided by the District administration and is unaudited.

## Mission Statement<sup>A</sup>

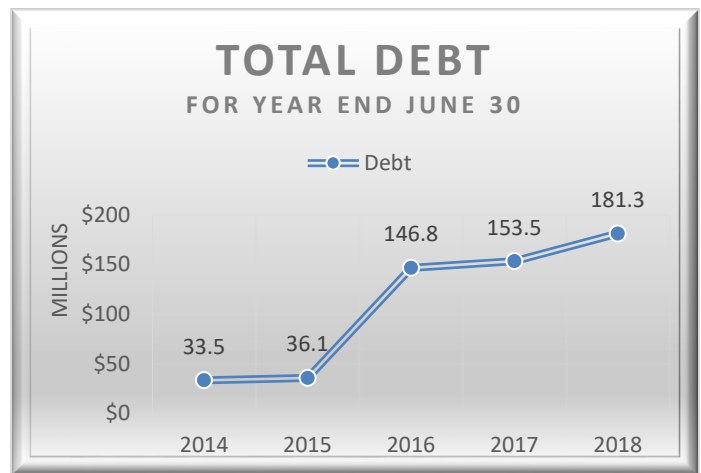
To provide ALL students with learning opportunities that will maximize their ability to achieve, enhance their capacity to compete in today's global economy and increase their awareness regarding the importance of life-long learning.

## Financial Information

The following pages contain financial information about the Wyoming Valley West 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**.

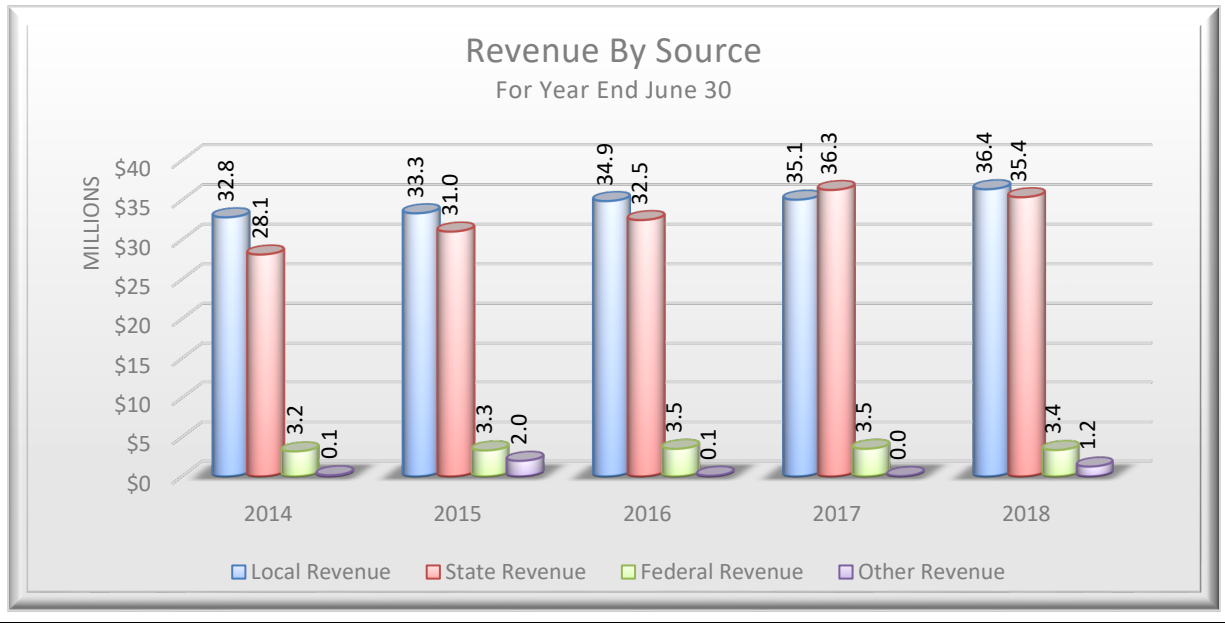
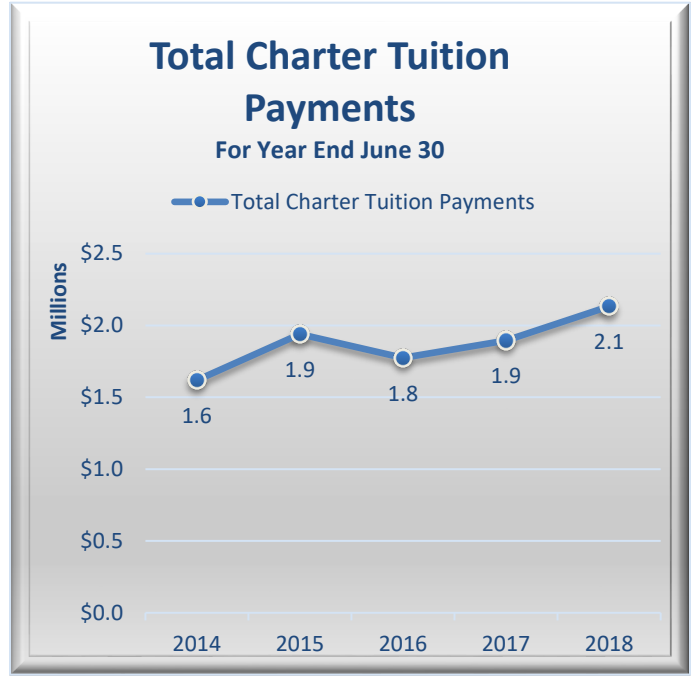
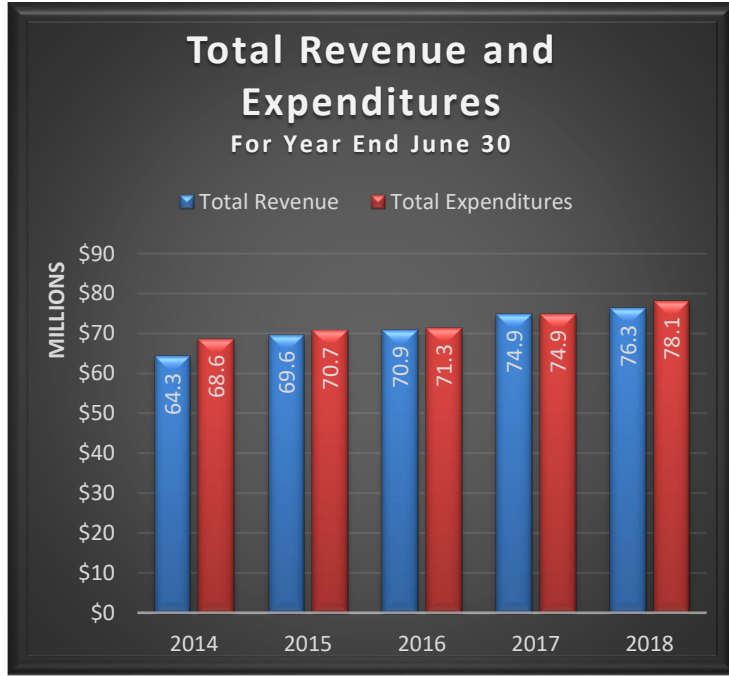


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**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

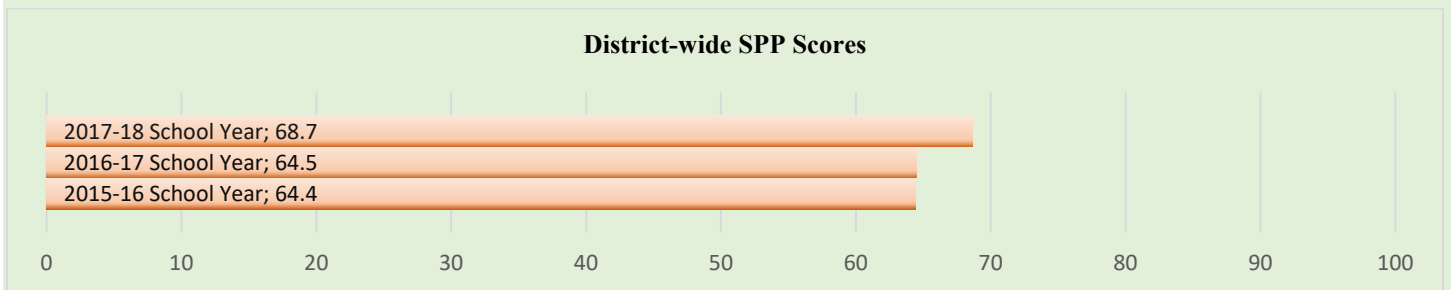


## Academic Information

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.<sup>1</sup> The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.<sup>2</sup>

### 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, advanced course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.<sup>3</sup>



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

<sup>2</sup> PDE'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.

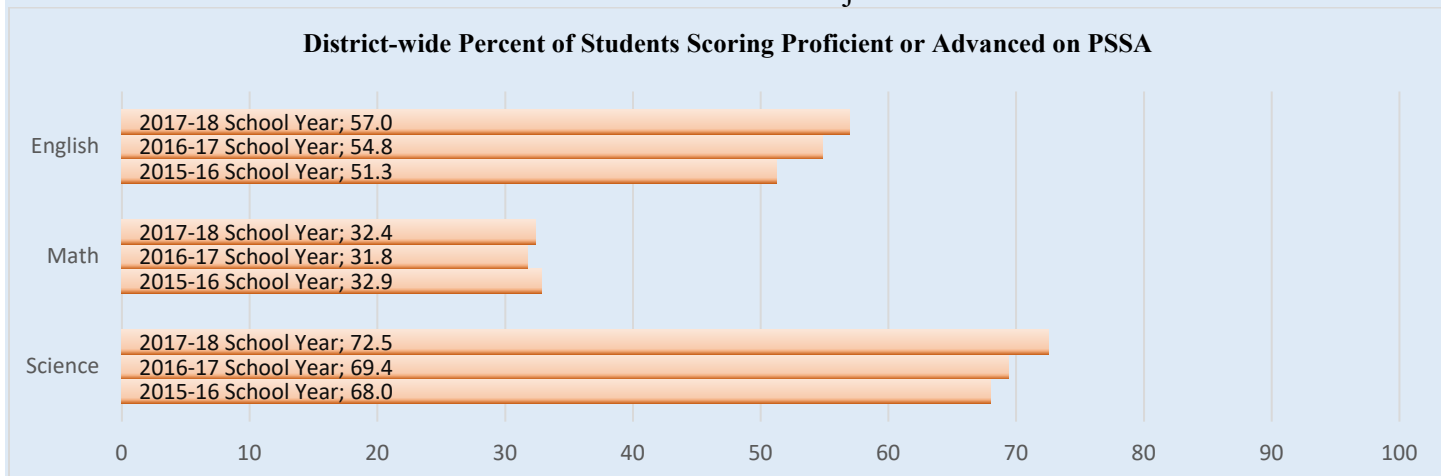
<sup>3</sup> PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

## Academic Information Continued

### What is the PSSA?

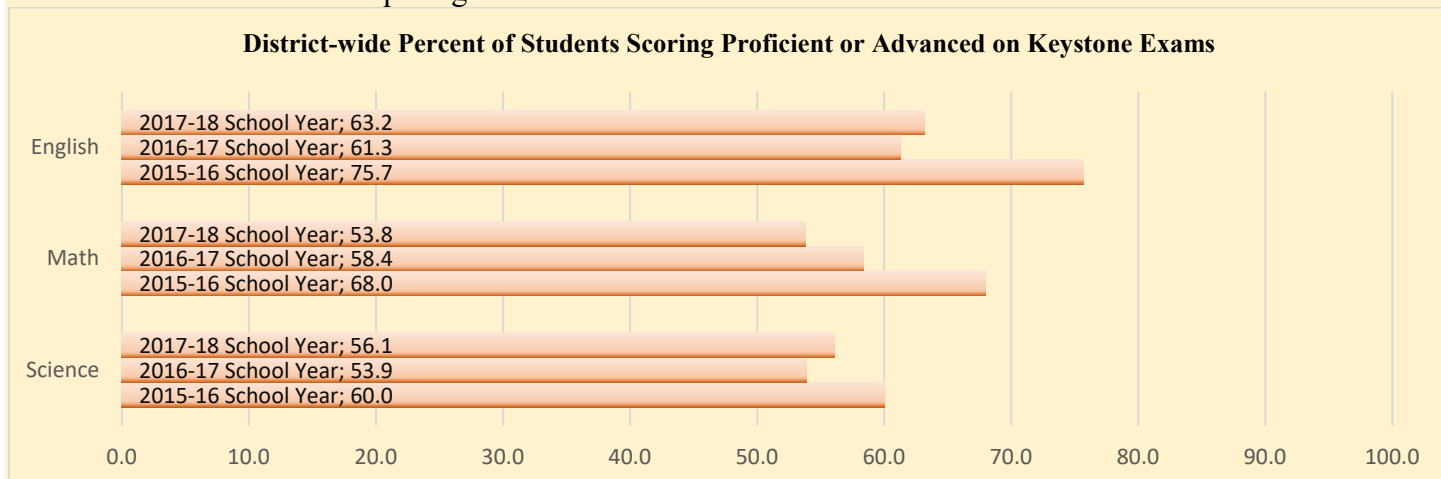
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

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



### What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.<sup>4</sup> In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.



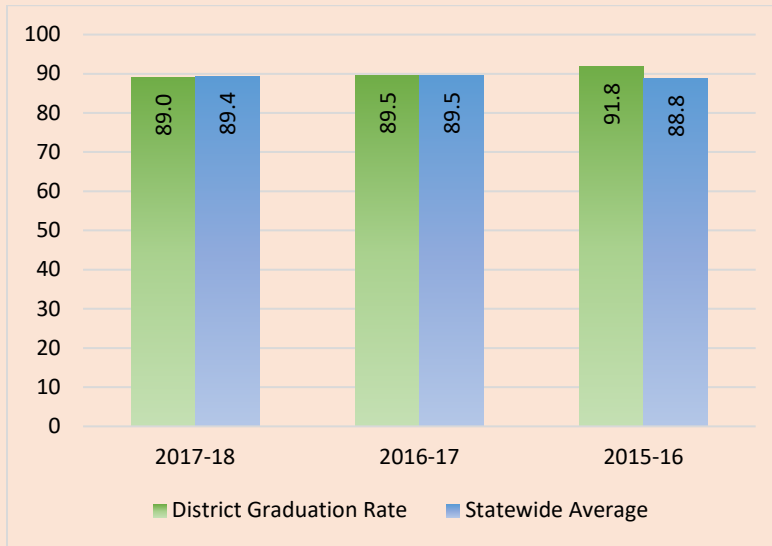
<sup>4</sup> Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. See 24 P.S. § 1-121(b)(1).



## 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.<sup>5</sup>



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

## Findings

### Finding No. 1

### A Cumulative Operating Deficit Reduced the District's General Fund Balance to \$71,916 as of June 30, 2018, Significantly Below the Recommended Level

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

#### **Section 609 of the Public School Code (PSC) provides, in part:**

"No work shall be hired to be done, no materials purchased and no contracts made by any board of school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded." See 24 P.S. § 6-609.

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

**General Fund Reserve.** School districts should establish a formal process on the level of the unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk.

The GFOA recommends, at a minimum, that school districts maintain an unrestricted fund balance in their general fund of no less than two months of regular General Fund operating expenditures and operating transfer out.

Our review of the Wyoming Valley West School District's (District) financial position over a four-year period revealed that the District's General Fund Balance decreased significantly. On July 1, 2014, the District's General Fund balance was \$4,439,272. Due to operating deficits in each fiscal year of our review, the District's General Fund balance decreased each year. As of June 30, 2018, the District's General Fund balance was \$71,916, considerably less than the fund balance recommended by the Government Finance Officers Association (GFOA). The decrease in the District's General Fund balance has put the District in a difficult financial position and led to the District utilizing its Capital Projects funds to meet debt service obligations and help fund District operations.

The District's financial decline is concerning given that the District raised local real estate taxes in accordance with the Act 1 index in each year of the audit period.<sup>6</sup> The District budgeted for net losses in each year of the audit period. The District is struggling with rapidly rising costs for special education and retirement contributions to fund employees' pensions. The District also has revenue constraints due to a stagnant tax base, which includes a decline in assessed property valuations.

In order to assess the District's financial stability, we reviewed several financial benchmarks to evaluate changes in its financial position over a four-year period from July 1, 2014 through June 30, 2018. The following benchmarks raised concerns related to the District's finances and are discussed in the remainder of the finding:

- General Fund Balance
- Operating Position
- Revenues
- Expenditures
  - Special Education Expenditures
  - Retirement Contributions
- General Fund Budgeting

<sup>6</sup> According to the Pennsylvania Department of Education, Act 1 of 2006 as amended, entitled the Taxpayer Relief Act, "eases the financial burden of home ownership by providing school districts the means to lower property taxes to homeowners, especially senior citizens, via the funding provided by gaming revenue. It is anticipated that, ultimately, gaming will generate \$1 billion each year for local property tax relief."

<https://www.education.pa.gov/Teachers%20-%20Administrators/Property%20Tax%20Relief/Pages/default.aspx> (Accessed July 13, 2019).

## General Fund Balance

The District's General Fund balance consisted of three distinct classifications: 1) non-spendable, 2) committed, and 3) unassigned. We discuss the District's total General Fund balance in this finding. See Table 1 below for a breakdown of the components of the District's General Fund balance for each year of our audit period.

**Table 1**

Wyoming Valley West School District				
General Fund Balance Composition				
Fiscal Year June 30/July 1	Nonspendable <sup>7</sup>	Committed <sup>8</sup>	Unassigned	Total
2014	\$375,000	\$2,500,000	\$1,564,272	<b>\$4,439,272</b>
2015	\$375,000	\$2,500,000	\$ 504,731	<b>\$3,379,731</b>
2016	\$375,000	\$0	\$1,941,561	<b>\$2,316,561</b>
2017	\$375,000	\$0	\$1,879,207	<b>\$2,254,207</b>
2018	\$0	\$0	\$ 71,916	<b>\$ 71,916</b>

*Criteria relevant to the finding  
(continued):*

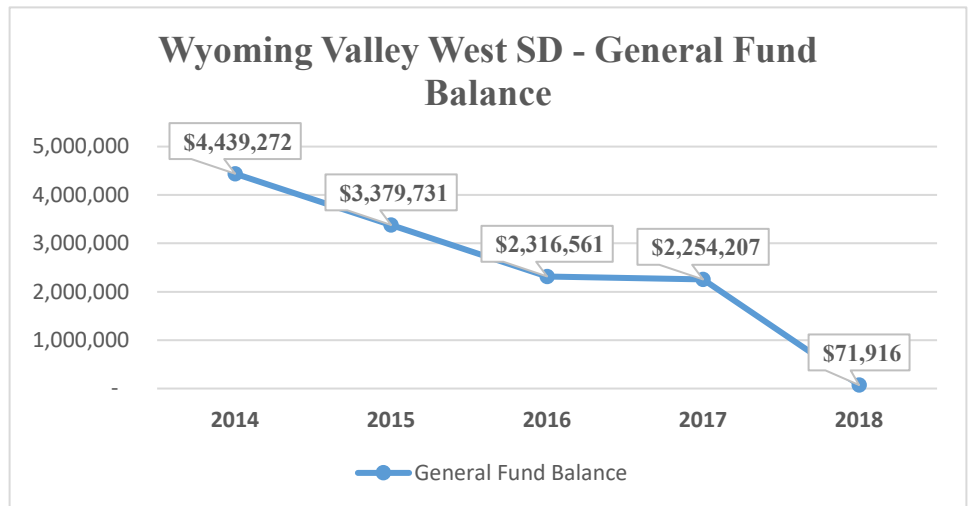
Budgeting and maintaining adequate fund balances allow school boards and superintendents to maintain their educational programs and services with level tax adjustments. They also provide financial stability in emergency situations so that it is certain that employees and vendors are paid on time. Fund balances reduce interest expense or interim borrowing. In addition, stable fund balance history appeals more to underwriters and other creditors when construction projects are undertaken and the school district must enter the bond market.

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

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

As illustrated in the table above and the chart below, the District's General Fund balance has deteriorated during the audit period. The District's General Fund balance did not meet best practices at any time during the audit period. Further, the District's \$71,916 General Fund balance, as of June 30, 2018, is significantly less than the fund balance recommended by GFOA (i.e., two months of regular general fund operating revenues or regular general operating expenditures and operating transfers out). For the fiscal year ended June 30, 2018, the District's operating expenditures and transfers out were \$78,132,144, which equates to an estimated \$6.5 million in monthly expenditures. As of June 30, 2018, the District had less than one day of expenditures in its fund balance.

**Chart 1**



<sup>7</sup> The District's nonspendable fund balance for the 2013-14 through 2016-17 fiscal years was for inventory.

<sup>8</sup> The District committed \$1.2 million for retirement contributions and \$1.3 million for future capital projects in the 2013-14 and 2014-15 fiscal years.

*Criteria relevant to the finding  
(continued):*

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

School districts, like individuals, should have a “rainy day fund” to deal with emergencies or unforeseen needs, unanticipated expenses, and disruptions to revenue. The lack of available reserve funds could compel the District to borrow additional funds to meet unforeseen needs and/or unanticipated expenses. In addition, borrowing costs will increase as a result of a lack of available reserve funds. The District issued a Tax Anticipation Note for \$5 million to subsidize operations in the 2019-20 fiscal year.<sup>9</sup> If the District’s General Fund balance was meeting GFOA best practice guidelines, this may have been avoided.

In addition, if the District’s fund balance continues to decrease, the District is in danger of being placed on *financial watch status* by the Pennsylvania Department of Education (PDE).<sup>10</sup> Financial watch status is a precursor to being placed in *financial recovery status* for districts that do not improve financially.<sup>11</sup> A district placed in *financial recovery status* loses local control of district operations. In these instances, the district’s Board of School Directors would no longer have the authority to provide oversight of District operations. Further, school districts in *financial recovery status* have a PDE-appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.<sup>12</sup>

### **Operating Position**

A school district’s operating position is an important indicator of a district’s financial health and is determined by comparing total operating revenues and other financing sources to total operating expenditures and other financing uses. The result of total expenditures and other financing uses exceeding total revenues and other financing sources is an operating deficit.<sup>13</sup>

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<sup>9</sup> The District borrowed \$2.5 million of the \$5 million Tax Revenue Anticipation Note.

<sup>10</sup> 24 P.S. § 6-611-A; see also Pennsylvania Code, Chapter 731. Early Warning System--Statement of Policy and 22 Pa. Code § 731.2 (“Early Warning System”).

<sup>11</sup> 24 P.S. § 6-601-A *et seq.*; see also <https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Financial%20Recovery%20for%20School%20Districts/Early%20Warning%20System.pdf>, accessed July 18, 2019.

<sup>12</sup> 24 P.S. § 6-631-A (relating to Appointment [of a chief recovery officer]) and 24 P.S. § 6-641-A (relating to Contents [of Plan]).

<sup>13</sup> Other financing sources and uses are more variable in nature and are commonly referred to as one time revenue or expenditures. Common examples are borrowings and transfers from other District funds.

The following table shows the District's operating deficit that occurred.

Table 2<sup>14</sup>

Wyoming Valley West School District General Fund Operating Position					
Fiscal Year Ended June 30	Total Revenue	Expenditures		Other Financing Sources/(Uses)	Operating Surplus/(Deficit)
		Instructional, Support Services, and Non-instructional Services	Debt Service and Capital Outlay		
2015	\$67,648,312	\$66,806,957	\$1,274,896	(\$626,000)	(\$1,059,541)
2016	\$70,856,058	\$67,875,403	\$886,818	(\$2,491,987)	(\$398,150)
2017	\$74,840,988	\$71,480,669	\$920,993	(\$2,501,680)	(\$62,354)
2018	\$75,079,662	\$75,019,293	\$686,228	(\$1,181,432)	(\$1,807,291)
<b>Total:</b>	<b>\$288,425,020</b>	<b>\$281,182,322</b>	<b>\$3,768,935</b>	<b>(\$6,801,099)</b>	<b>(\$3,327,336)</b>

As shown in the table above, Instructional, Support Services, and Non-instructional services expenditures increased by almost \$10 million, which was due to an increase in special education costs, a corresponding increase in transportation costs for special education students, and mandated retirement contribution increases.

In addition to the increase in operational expenditures, the District transferred a net of \$6,801,099 from its General Fund to other funds within the District (other financing uses). The table below details how the District used the funds:

Table 3

Wyoming Valley West School District Transfers					
	Fiscal Year Ended June 30 2015	Fiscal Year Ended June 30 2016	Fiscal Year Ended June 30 2017	Fiscal Year Ended June 30 2018	Totals
<b>Transfers (Out) of General Fund</b>					
To: Debt Service	(\$2,599,010)	(\$2,565,681)	(\$2,533,192)	(\$2,361,429)	(\$10,059,312)
To: Other	-	-	-	(\$65,194)	(\$65,194)
<b>Transfers In to General Fund</b>					
From: Capital Projects Fund	\$1,784,210	-	-	\$1,245,191	\$3,029,401
From: Financing Proceeds	\$188,300	\$73,694	\$0	-	\$261,994
From: Sale of Fixed Assets	\$500	\$0	\$31,512	-	\$32,012
<b>Net Transfers</b>	<b>(\$626,000)</b>	<b>(\$2,491,987)</b>	<b>(\$2,501,680)</b>	<b>(\$1,181,432)</b>	<b>(\$6,801,099)</b>

<sup>14</sup> Information obtained from the District's Independent Auditor's Report, Statement of Revenue, Expenditures and Changes in Fund Balance, fiscal years ending 2014 through 2017. We did not perform procedures to verify the accuracy of the amounts presented.

As shown in the table above, the District transferred a total of \$10,059,312 from its General Fund to the Debt Service Fund to be compliant with the sinking fund requirements of the Series of 2011 Qualified School Construction Bond Program.<sup>15</sup> These debt service requirements will continue into the future as the bonds begin maturing between 2026 and 2036. The District transferred \$3,029,401 from its Capital Projects Fund to its General Fund. Furthermore, the District budgeted for transfers from the Capital Projects Fund in each year of our audit period. As of June 30, 2018, the Capital Projects Fund had a balance of \$2.8 million, of which \$2 million was utilized in the 2018-19 fiscal year to meet General Fund obligations. Essentially the District was meeting operational expenses and debt service obligations with funds restricted for use in capital projects. Without the use of these funds, the District would be in an even more precarious financial situation. Now that the District has nearly exhausted its capital projects reserves, the District has to reduce its operational expenditures and/or generate sufficient revenues that result in an operational surplus and allow the District to begin to rebuild its reserves.

## **Revenues**

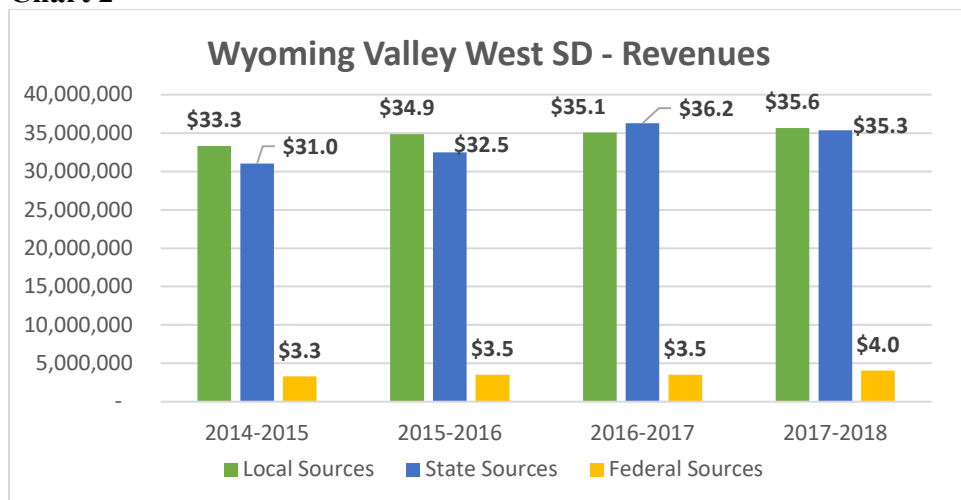
The District relies on two main revenue sources: Commonwealth subsidies and local revenues. Revenue from the Commonwealth comprised 47 percent of the District's total revenues in the 2017-18 fiscal year. The District's Commonwealth subsidy increased by 14 percent or approximately \$4.3 million over the four-year period analyzed. Local revenues are primarily generated from property taxes and comprised over 48 percent of the District's total revenue in the 2017-18 fiscal year. The District's millage rate was 14.56 for the 2014-15 fiscal year and increased in each fiscal year we reviewed. The 2017-18 fiscal year millage rate was 15.99, which was a 10 percent increase from the beginning of our audit period. The District's local revenue increased by 7 percent or approximately \$2.3 million over the four year period we analyzed. Federal revenue comprised only 5 percent of the District's total revenue. Overall the District's total revenue increased by 11 percent over the audit period.

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<sup>15</sup> Per the District's Independent Auditors Report, the District must fund the sinking fund for these bonds to pay the principal as the bonds mature. Therefore, there will be an accumulating fund balance in the Debt Service Fund until all the bonds have fully matured and been paid back.

The chart below shows the District’s revenue sources for each year of the audit period.

**Chart 2**



**Expenditures**

District expenditures are categorized into five major functions.<sup>16</sup> 1) instructional,<sup>17</sup> 2) support services,<sup>18</sup> 3) non-instructional,<sup>19</sup> 4) capital outlay, and 5) debt service. The District’s operational (instructional, support services, and non-instructional services) expenditures increased from \$66.8 million in the 2014-15 fiscal year to \$75 million in the 2017-18 fiscal year, or a 12 percent increase. These expenditures comprise approximately 99 percent of the District expenditures. These expenditures are detailed in the table below.

**Table 2<sup>20</sup>**

Wyoming Valley West School District Expenditures					
Total Expenditures Per IAR	Fiscal Year Ended June 30 2015	Fiscal Year Ended June 30 2016	Fiscal Year Ended June 30 2017	Fiscal Year Ended June 30 2018	Totals
<b>Instructional</b>	\$49,343,833	\$50,510,987	\$53,569,428	\$56,442,967	\$209,867,215
<b>Support Services</b>	\$16,387,602	\$16,218,184	\$16,797,389	\$17,412,606	\$66,815,781
<b>Non-instructional Services</b>	\$1,075,522	\$1,146,232	\$1,113,852	\$1,163,720	\$4,499,326
<b>Debt Service</b>	\$599,996	\$641,503	\$641,491	\$686,228	\$2,569,218
<b>Capital Outlay</b>	\$608,210	\$94,320	\$275,596	-	\$978,126
<b>Other</b>	\$66,690	\$150,995	\$3,906	-	\$221,591
<b>Total:</b>	<b>\$68,081,853</b>	<b>\$68,762,221</b>	<b>\$72,401,662</b>	<b>\$75,705,521</b>	<b>\$284,951,257</b>

<sup>16</sup> The category other includes Refunds of Prior Year Receipts, which is not a major function within the District’s operations.

<sup>17</sup> Includes all activities dealing directly with the interaction between teachers and students and related costs (salaries, contracted services, travel expenses, equipment rental, supplies, books), which can be directly attributed to a program of instruction.

<sup>18</sup> Those services that provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction.

<sup>19</sup> Activities concerned with providing non-instructional services to students, staff or the community. Examples include food services, student activities, and community services.

<sup>20</sup> The information was obtained from the District’s Independent Auditor’s Report, *Statement of Revenues, Expenditures, and Changes in Fund Balances*, for fiscal years ending 2014 through 2017. We did not perform procedures to verify the accuracy of the amounts presented.

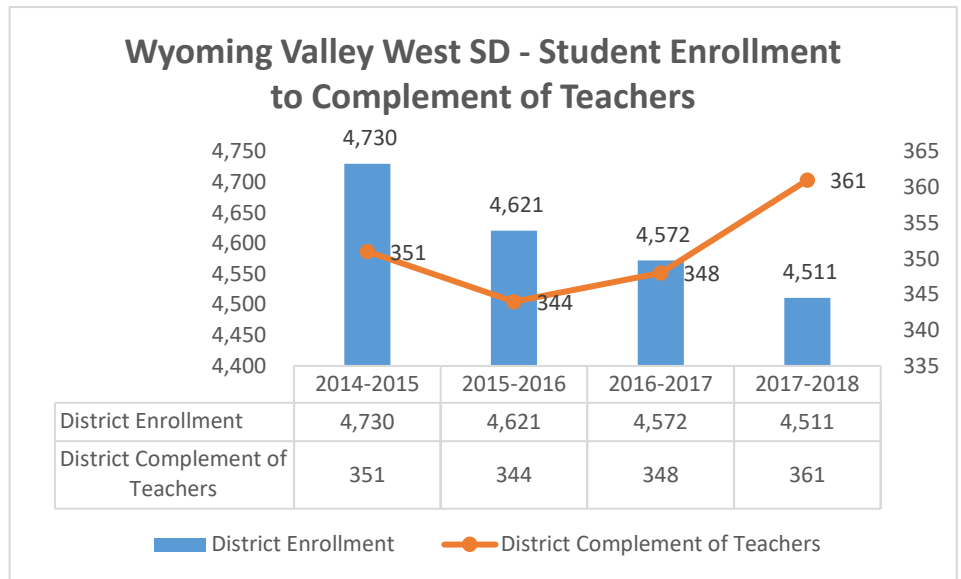
The District’s total expenditures increased as a result of the significant increase in instructional expenditures during the 2015-16, 2016-17, and 2017-18 fiscal years. One of the primary drivers of the District’s increasing instructional expenditures was the District’s special education expenditures.

### *Special Education Expenditures*

The District experienced a steady increase in special education expenditures over the four-year audit period. The District’s special education expenditures increased by 27 percent during the audit period, from \$12.1 million in the 2014-15 fiscal year to \$15.4 million in the 2017-18 fiscal year. The District stated that 25 percent of the District’s students are enrolled in special education and therefore the District continued to increase its professional staff to meet the rapidly increasing special education population.

The chart below shows the overall decline in total enrollment with an increase in complement of teachers due to the large population of special education students.

**Chart 3<sup>21</sup>**



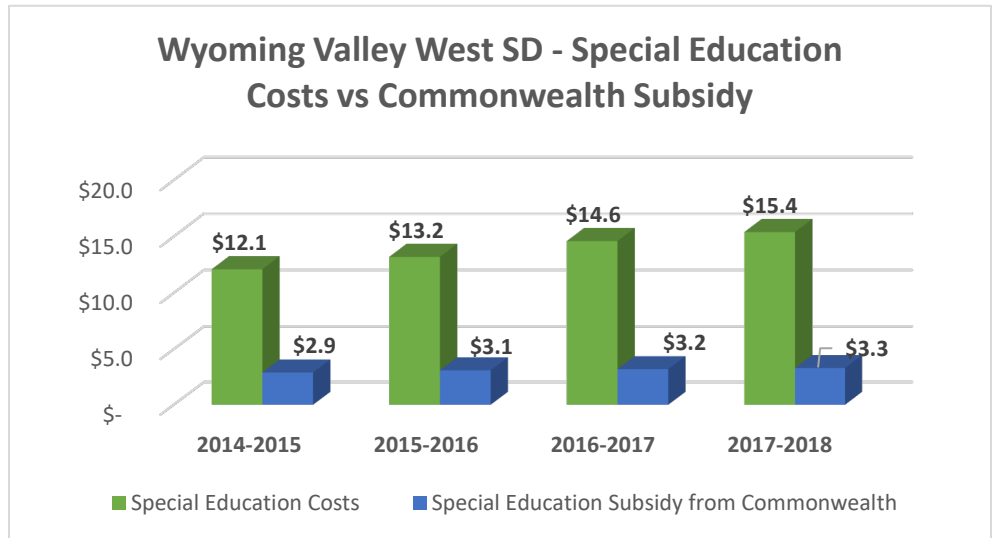
While the District’s special education expenditures increased by \$3.3 million or 27 percent during the audit period, Commonwealth reimbursements for special education expenditures were relatively flat, increasing by approximately \$400,000 or 14 percent. Without a healthy General Fund balance to absorb these increasing costs, it is imperative for the District to reduce other operational expenditures or generate additional

<sup>21</sup> The student enrollment for school years 2013-14 through 2017-18 was obtained from PDE at <https://www.education.pa.gov/Data-and-Statistics/Pages/Enrollment%20Reports%20and%20Projections.aspx> and the complement of teachers was provided by the District.



revenue to offset this cost. The following chart illustrates the District’s special education expenditures and the amount of reimbursement received by the District during the four years reviewed.

**Chart 4**



Additionally, the District’s special education charter school enrollment has more than doubled from 33 to 75. With special education student enrollment increasing each year at the District, rising programmatic, and personnel costs leaves the District in an unenviable position.

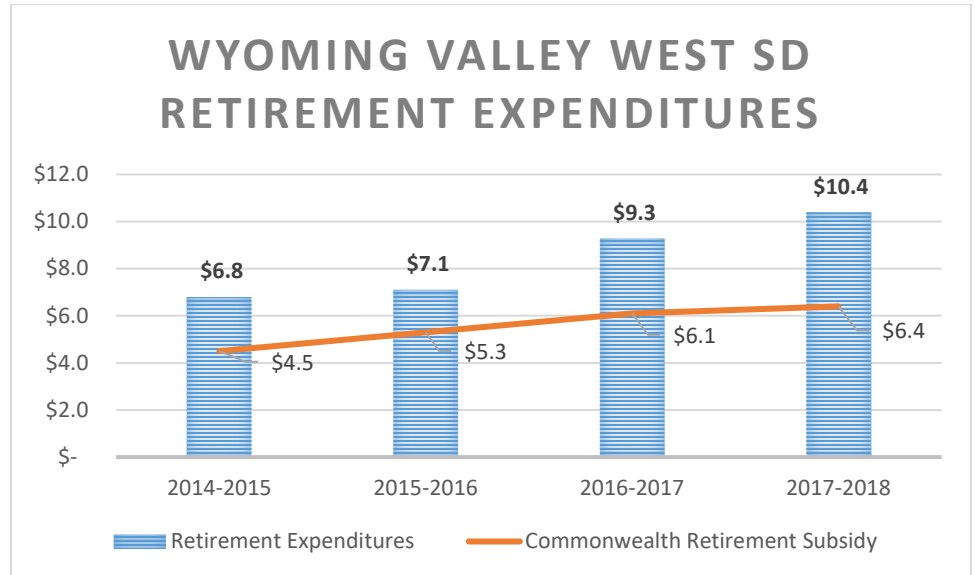
*Retirement Contributions*

District retirement contributions are mandated by the Commonwealth. Employer contribution rates are determined annually by the Public School Employees’ Retirement System (PSERS). The District’s required contribution to the PSERS increased from 21.40 percent in the 2014-15 fiscal year to 32.57 percent in the 2017-18 fiscal year. This was a significant increase, which placed an additional financial burden on the District. However, PSERS provided projected employer contribution rates multiple years in advance, so District officials had an opportunity to determine how best to meet the increasing costs.

Overall, retirement contributions have increased by 52 percent since the 2014-15 fiscal year, which outpaced the 43 percent increase in the Commonwealth retirement subsidy during that period. Further, the District has been notified that the retirement contribution rates will continue to escalate, which will place even more of a financial burden on the District. Without a healthy General Fund balance to absorb this increasing cost, it is imperative that the District reduce other operational costs or generate additional revenue to meet these obligations.

The chart below illustrates the increase in the District’s retirement costs compared to the subsidy received from the Commonwealth.

**Chart 5**



### General Fund Budgeting

The Public School Code (PSC) requires that all school districts annually develop a balanced General Fund budget. In addition, the PSC prohibits districts from spending more than the amount budgeted. As illustrated in the table below, the District was not in compliance with the PSC by overspending its budget in three of the four years of the audit period.

**Table 3**

Wyoming Valley West School District			
Budgeted vs. Actual Expenditures			
Fiscal Year Ending June 30	Budgeted Expenditures	Actual Expenditures	(Under)/Over Budget
2015	\$66,000,517	\$68,081,853	\$2,081,336
2016	\$69,379,746	\$68,762,221	(\$617,525)
2017	\$72,270,963	\$72,401,662	\$130,699
2018	\$75,302,237	\$75,705,521	\$403,284
<b>Total</b>	<b>\$282,953,463</b>	<b>\$284,951,257</b>	<b>\$1,997,794</b>

In addition, the District budgeted for net losses during the audit period which indicates that the District intended on using the District’s reserves to subsidize operations. Furthermore, the budgeted net loss included budgeted transfers-in from the Capital Projects Fund each year, which helped mask the District’s operational deficit.

The table below illustrates this fact over the audit period.

**Table 4**

<b>Wyoming Valley West School District – General Fund Budgeted Losses</b>					
	<b>Fiscal Year Ended June 30 2015</b>	<b>Fiscal Year Ended June 30 2016</b>	<b>Fiscal Year Ended June 30 2017</b>	<b>Fiscal Year Ended June 30 2018</b>	<b>Totals</b>
<b>Budgeted Net loss in General Fund Balance</b>	<b>(\$1,588,818)</b>	<b>(\$1,829,604)</b>	<b>(\$1,300,762)</b>	<b>(\$2,427,955)</b>	<b>(\$7,147,139)</b>
<b>Budgeted Transfers-In from Capital Projects</b>	\$1,600,000	\$1,600,000	\$1,200,000	\$1,500,000	<b>\$5,900,000</b>
<b>Net Budgeted General Fund loss Without Transfers-In</b>	<b>(\$3,188,818)</b>	<b>(\$3,429,604)</b>	<b>(\$2,500,762)</b>	<b>(\$3,927,955)</b>	<b>(\$13,047,139)</b>

Despite raising taxes in each year of the audit period, the District has nearly exhausted its Capital Projects Fund to assist in meeting operational needs.

### **Conclusion**

The District’s General Fund balance substantially evaporated over the four years we reviewed, and the financial stability of the District deteriorated. During this time, the District had a cumulative operating deficit and consistently budgeted for an operating loss. The District experienced increasing operational expenditures during this time period. However, the District did not adequately plan to generate sufficient revenue or reduce other expenditures to meet these increasing costs. The District will need to make significant operational changes to reverse the financial downturn of the District that occurred during our review. Failure to reverse its financial downturn, the District is in danger of being placed on *financial watch status* by PDE.

### **Recommendations**

The *Wyoming Valley West School District* should:

1. Prepare a multi-year budget that will assist the Board of School Directors (Board) and District management in making decisions to increase taxes and/or reduce expenditures to allow the District to achieve operating surpluses.
2. Display the multi-year budget prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meetings.

3. Continue to perform a cost/benefit analysis to determine if it is more cost efficient to educate special education students at the District or outsourcing this to the intermediate unit that serves the District's intermediate unit students.

### **Management Response**

District management provided the following response:

“The District will prepare at a minimum a 3-year budget that will appear on its website to offer the taxpayers, the public and district officials the opportunity to monitor and discuss budget issues at open meetings.

We agree with this recommendation by the Department of the Auditor General for the following reasons: Budgets are developed every year by administrators and staff and then reviewed by a financial committee that includes at least three school board members. A preliminary budget (which includes expenditures, revenue and potential millage increases) is prepared for public review at our Central Office in February prior to the June 30<sup>th</sup> adoption, but it not posted on our website [*sic*]. This will change moving forward.

It was noted in the report that the Governmental Finance Officers Association recommends that school districts maintain an unrestricted fund balance at a two months of general fund operating expenditures and operating transfer out. For Wyoming Valley West, for the 2017-2018 school year, this would mean a balance of \$13 million.

Also, in the report, the Pennsylvania School Boards Association for the 2013-2014 school year, recommends the balance be 5 to 10 percent of annual expenses. For Wyoming Valley West, this amounts to \$3.9 million to \$7.8 million. While we recognize that these figures represent the ideal situation, as well as the “rainy day fund”, they are not practical for our school district which made clearer later in this response [*sic*].

In spite of the reduction of the fund balance, no educational programs and services have been cut or reduced, there were no cuts in athletic teams, all payrolls have been met, vendors are paid on time, and the business office and the Board have recently refinanced outstanding debt to reduce the amount of payments made to the debt holders.

We agree the taxpayers and general public of our district need a more acute knowledge of the rapidly increasing cost of education, Aside from salaries, health benefits and employer contributions the public needs to know (as pointed out by the state audit) the rapid increase in other expenditures . For example:

Total special education costs in 2017-18 were \$15.4 million. Special education state subsidy received for the same time period was \$3.3 million a disparity of \$12.1 million [*sic*].

The special education enrollment of 2.5% is the highest percentage in Northeastern Pa. The cost of transportation of students with special needs has seen more than a 50% increase in the last 5 years.

Additionally, the school district is in an unenviable position regarding charter/cyber school cost. We have taken positive steps in encouraging parents to choose Wyoming Valley West Cyber but the fact remains that currently 135 students are enrolled in charter/cyber schools. The cost of educating a special education cyber school student is more than double the cost of regular education (approximately \$25,000 per student). The cost is a mandated formula provided by the State, The district paid \$1 million for educating those students this past year [*sic*]. Monitoring cyber school special education status of those in attendance has become increasingly difficult.

The taxpayers and general public of the district also need to know along with the rapid rise of special education and cyber school costs, the district's local revenue source has seen a significant reduction due to reduced property assessed valuation. As pointed out in the audit, property taxes comprise 48% of the district's total revenue.

During the fiscal years of 2012-13 thru 2019-20 the certified valuation declined from \$1.973 billion to \$1.915 billion. The decrease of nearly \$58 million assessed valuation x the current millage of 17.29 equates to a loss of approximately \$1 million in local revenue for the current year alone. This is an alarming number. It also reflects the lack of growth in our area just as important, the school district has a low medium income level of 64.2% which directly impacts the earned income tax, per capita, local services and real estate transfer tax, all part of the 48% of total revenue [*sic*].

In reference to the audit's comment regarding the Tax Anticipation Note: the amount of the money borrowed was \$5 million, however, the district only used \$2.5 million of the \$5 million. It should be noted that the note was issued because of the three-week delay in the issuance of our 2019 school tax bills by Luzerne County due to a cyber attack upon the county's offices. This obviously caused a delay cash flow for our district. Because of this delay, the district authorized the issuance of a Tax Anticipation Note as a precautionary measure.

In response to recommendation #3, a cost/benefit analysis was provided to the auditors that reflects the financial advantages of continuing to educate special education students at our district as opposed outsourcing to IU #18.

The net savings on transitioning students from LIU 18 to our district is approximately \$1.1 million.

In conclusion, the district will adhere to the recommendations provided by the Department of Auditor General. Unfortunately, due to all information provided in the aforementioned response, it will come at a cost of increased taxes and staff reduction. The economic parameters of our district leaves us with no other choice.

### **Auditor Conclusion**

We are pleased to see the District will develop a three-year budget that will be placed on the District's website. We believe this will increase the District's transparency and allow District stakeholders to have a better understanding of the District's financial picture. A multi-year budget should assist the District's in its quest to generate sufficient revenue and/or reduce increasing expenditures to increase General Fund reserves.

Although the District noted that maintaining a general fund balance to cover two months of operating expenditures as recommended by the GFOA was not practical, we recommend that the District continue to strive to meet this best practice.

Management noted several revenue and expenditure challenges which the District addresses on an ongoing basis. Management also provided the detail regarding the District's cost/benefit analysis of special education costs and projected savings. This type of cost/benefit analysis is essential for the District to monitor and control the increasing expenditures to achieve future operational surpluses needed to obtain the recommended General Fund balance benchmarks.

We will determine the effectiveness of the District's stated corrective actions in its management response and any further corrective actions taken during our next audit of the District.

## Finding No. 2

## Transportation Reporting Errors by the District Resulted in a Net Overpayment to the District of \$5,134 During the 2013-14 Through 2016-17 School Years

### *Criteria relevant to the finding:*

#### **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 District was overpaid \$5,134 in transportation reimbursements from PDE. This net overpayment was due to the District inaccurately reporting the number of non-reimbursable students transported during the 2013-14, 2014-15, 2015-16, and 2016-17 school years.

Districts receive two separate transportation reimbursement payments from PDE. One reimbursement is based upon the number of students transported, the number of miles vehicles were in service both with and without students, and the number of days students were transported (regular transportation reimbursement). The other reimbursement is based upon the number of charter school and nonpublic school students transported by the District (supplemental transportation reimbursement). The errors identified in this finding involved the District's regular transportation reimbursement received.

It is important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for the transportation subsidies. The District filed this sworn statement for each of the 2013-14 through 2016-17 school years. 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.

#### **Non-reimbursable Students Transported**

Non-reimbursable students are defined as elementary students residing less than 1.5 miles from school and secondary students residing less than 2 miles from school, excluding special education and vocational students, as well as students who live on a Pennsylvania Department of Transportation (PennDOT) defined hazardous route. Districts can choose to transport these students, but if transported, the District must report these students as non-reimbursable to PDE. Districts that transport non-reimbursable students receive a reduced regular transportation reimbursement from PDE compared to if the students were reimbursable.

The table below illustrates the number of non-reimbursable students reported to PDE, the audited number of non-reimbursable students, the number of non-reimbursable students over/(under) reported, and the over/(under) payments to the District during the audit period.

Wyoming Valley West School District Non-reimbursable Transportation Errors				
School Year	Non-Reimbursable Students Reported to PDE	Audited Number of Non-Reimbursable Students	Non- Reimbursable Students Over/ (Underreported)	Regular Transportation Reimbursement Over/(Underpayment)
2013-14	302	165	137	(\$12,392)
2014-15	302	149	153	(\$15,331)
2015-16	0	170	(170)	\$17,694
2016-17	1	156	(155)	\$15,163
<b>Total</b>	<b>605</b>	<b>640</b>	<b>(35)</b>	<b>\$ 5,134</b>

*Criteria relevant to the finding (continued):*

**Non-reimbursable Students**

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

**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.

The District inaccurately reported students who lived on a PennDOT defined hazardous route as non-reimbursable during the 2013-14 and 2014-15 school years. This resulted in the District being underpaid regular transportation reimbursements.

The District official responsible for reporting transportation data to PDE changed after the 2014-15 school year. The District official who reported transportation data during the 2015-16 and 2016-17 school years did not verify the District’s established vehicle routes. As a result, this District official was unaware that the District was transporting students who resided within 2 miles of school and intended to report zero non-reimbursable students during the 2015-16 and 2016-17 school years.<sup>22</sup> Inaccurately reporting non-reimbursable students during the 2015-16 and 2016-17 resulted in the District being overpaid regular transportation reimbursements.

The District did not have transportation reporting procedures that addressed the proper method of determining and reporting non-reimbursable students. Additionally, the District was reliant solely on one District official to compile and report transportation data for a particular school year during the audit period. A second level review of the District’s transportation data could have helped identify fluctuations in the data reported to PDE.

We provided PDE with reports detailing the non-reimbursable reporting errors for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. PDE requires these reports to verify the net overpayment to the District. The

<sup>22</sup> The single non-reimbursable student reported for the 2016-17 school year was reported in error. This non-reimbursable student was a student transported by the District to a charter school.



*Criteria relevant to the finding  
(continued):*

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.)

District’s future transportation subsidies should be adjusted by the amount of the net overpayment.

### **Recommendations**

The *Wyoming Valley West School District* should:

1. Implement a procedure to have a District official other than the person who prepares the transportation reports to PDE review transportation data prior to submission to PDE and provide certification to the District official signing the sworn statement that the data is complete and accurate.
2. Conduct annual multi-year trend analyses of student transportation data and transportation subsidies to help identify unexpected fluctuations. Any unexplained fluctuations should be investigated to provide additional assurances that the data is accurately reported to PDE.
3. Ensure that all District officials responsible for reporting transportation data to PDE have been adequately trained on PDE’s reporting guidelines for non-reimbursable students.
4. Develop written transportation reporting procedures for all student classifications, including non-reimbursable students.
5. Review the transportation data preliminarily submitted for the 2017-18 school year, and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

6. Adjust the District’s future allocations to recover the net overpayment of \$5,134.

### **Management Response**

District management provided the following response:

1. The data will be reviewed by an independent individual before the report is submitted to PDE for processing. The documentation will be signed and dated by the reviewer.
2. The yearly analysis will be performed by the Director of Transportation. Since data will rise and fall with increase or decrease in enrollment or routes assigned, minimum variance parameters will be established for documented review and followed up.

3. Guidelines for non-reimbursable students have been reviewed by responsible officials and marked accordingly in bus system.
4. Procedures will be developed in the near future.
5. Revisions have been made and forwarded for the 2017-18 school year to PDE.

### **Auditor Conclusion**

We are encouraged that the district has implemented or plans to implement all of our recommendations. The transportation reimbursements are an integral part of the District's financial position and it is imperative that this information is accurate and that appropriate internal controls are established and followed. We will evaluate the effectiveness of any corrective actions implemented by the District during our next audit.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Wyoming Valley West School District (District) released on February 5, 2015, resulted in one finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in the status section below.

### Auditor General Performance Audit Report Released on February 5, 2015

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**Prior Finding:** **Failure to Bill for Nonresident Pupil Membership Resulted in Uncollected Tuition of \$31,261**

Prior Finding Summary: During our prior audit, we found that the District failed to bill sending school districts for educational services provided for the 2010-11 and 2011-12 school years, totaling \$31,261.

Prior Recommendations: We recommended that the District should:

1. Implement internal control procedures which would provide assurances that tuition is billed.
2. Bill the sending districts for the uncollected tuition.
3. Review records for years subsequent to the years audited and, if necessary, bill the sending districts for unrecovered tuition.

Current Status: During our current audit, we found that the District implemented our recommendations. Effective during the 2014-15 school year, the District implemented a process in which child accounting personnel identified all nonresident students and their district of residence for the submission of invoices. The child accounting office is now required to generate all invoices for submission to the business office for review prior to submission to the individual districts. Once payment is received, it is reconciled to the invoice for agreement and attached to the invoice to ensure all tuition is collected. We also confirmed that the District billed the nine school districts noted in the prior finding and received the uncollected tuition that was due. When the District submitted the 2010-11 and 2011-12 invoices, the District also included the unbilled tuition for the 2012-13 and 2013-14 school years; therefore, all uncollected tuition was received by the end of the 2014-15 school year.

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## Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>23</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### 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 Wyoming Valley West 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).<sup>24</sup> 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.

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<sup>23</sup> 72 P.S. §§ 402 and 403.

<sup>24</sup> 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:

- ❖ Financial Stability
- ❖ Transportation Operations
- ❖ Administrator Separations
- ❖ 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:

- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
  - ✓ To address this objective, we reviewed the District's annual financial reports, General Fund budgets, and independent auditor's reports for the 2014-15 through 2017-18 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Our review of this objective resulted in Finding No. 1 beginning on page 7 of this report.
- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?<sup>25</sup>
  - ✓ To address this objective, we reviewed all 640 contracted non-reimbursable students transported by the District during the 2013-14, 2014-15, 2015-16, and 2016-17 school years. We obtained bus rosters from the District's transportation software to confirm elementary students lived within 1.5 miles and secondary students lived within 2 miles of the school where the students were educated. We also reviewed 278 of 2,779 students reported to PDE as transported by the District and living on a hazardous walking route.<sup>26</sup> We reviewed the documentation obtained

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<sup>25</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

<sup>26</sup> These students were selected because we considered them to have a higher risk of non-compliance with the requirements to be reported as a student living on a hazardous walking route.

from the Pennsylvania Department of Transportation which identifies the hazardous walking routes within the District to the bus rosters to determine if the District reported these students correctly and received the correct amount of transportation reimbursement for these students. The results of our review can be found in Finding No. 2 on Page 20 of this report.

- ✓ We also interviewed District personnel to get an understanding of the District's procedures for obtaining and reporting transportation data to PDE. We then randomly selected 28 of 138 vehicles used to transport District students during the 2014-15 and 2015-16 school years.<sup>27</sup> For each vehicle tested, we reviewed reported mileage to odometer readings and District calculations, student counts to bus rosters, and days in service to school calendars. Our review did not disclose any reportable issues.
- ✓ Additionally, we obtained all monthly invoices for the 2014-15 and 2015-16 school years from the District's three transportation contractors. We compared the invoices to the contracts and District expenditure ledgers to determine if the amounts paid to the contractors were accurately paid and accurately reported to PDE. Our review did not disclose any reportable issues.
- Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the employment contracts comply with the Public School Code<sup>28</sup> and Public School Employees' Retirement System guidelines?
  - ✓ To address this objective, we reviewed the contracts, settlement agreements, board meeting minutes, board policies, and payroll records for both individually contracted administrators who separated employment from the District during the period July 1, 2014 through June 27, 2019. Our review of this objective did not disclose any reportable issues.
- Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances<sup>29</sup> as outlined in applicable laws?<sup>30</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - ✓ To address this objective, we randomly selected 10 of the 89 bus drivers transporting District students as of May 16, 2019.<sup>31</sup> 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, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

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

<sup>28</sup> 24 P.S. § 10-1073(e)(2)(v).

<sup>29</sup> Auditors reviewed the required state, federal and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

<sup>30</sup> 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.

<sup>31</sup> While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

- Did the District take actions to ensure it provided a safe school environment?<sup>32</sup>
  - ✓ To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, fire drills and after action reports. Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials, PDE, and other appropriate agencies deemed necessary.

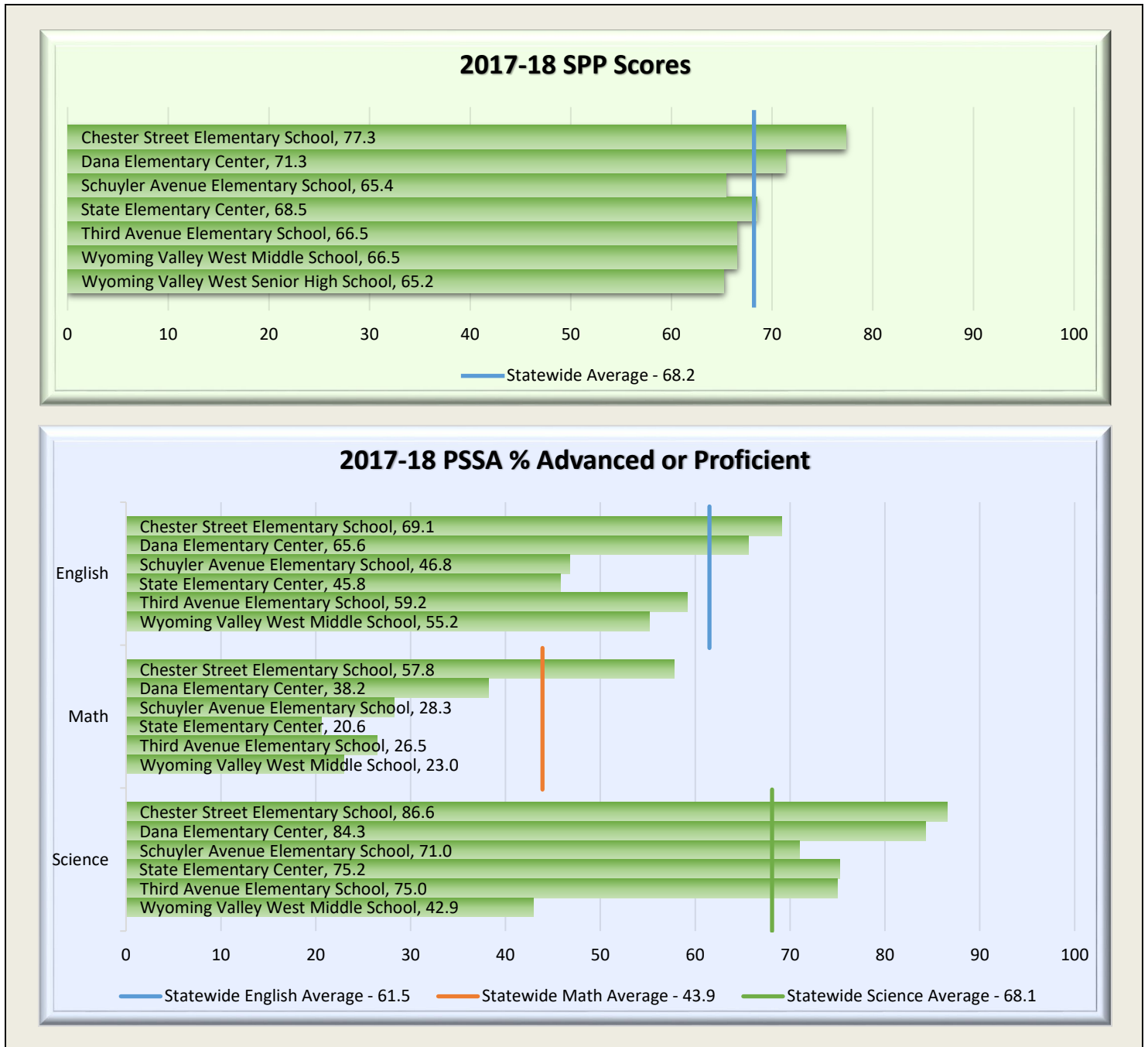
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<sup>32</sup> 24 P.S. § 13-1301-A *et seq.*

## Appendix B: Academic Detail

Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>33</sup>

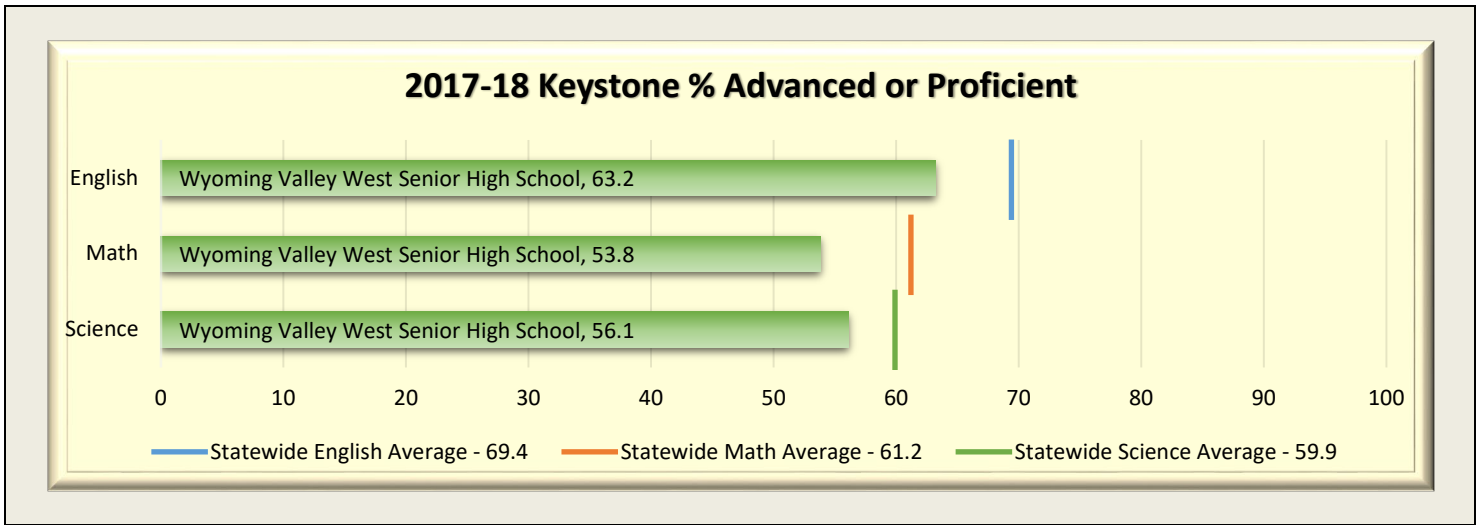
### 2017-18 Academic Data School Scores Compared to Statewide Averages



<sup>33</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

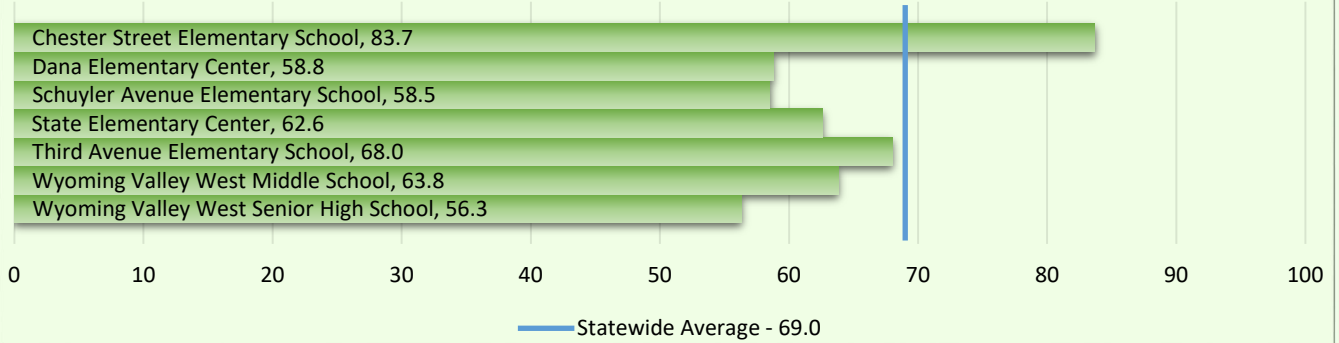


**2017-18 Academic Data**  
**School Scores Compared to Statewide Averages (continued)**

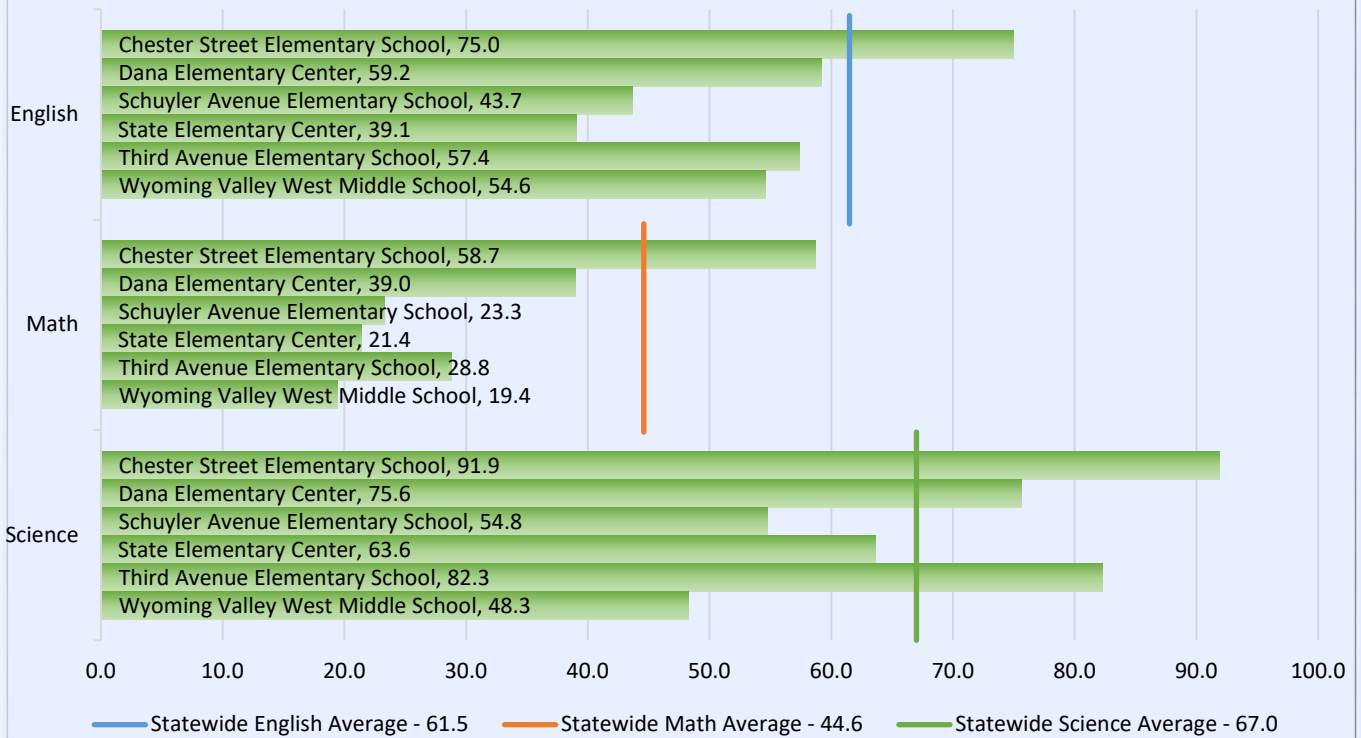


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**

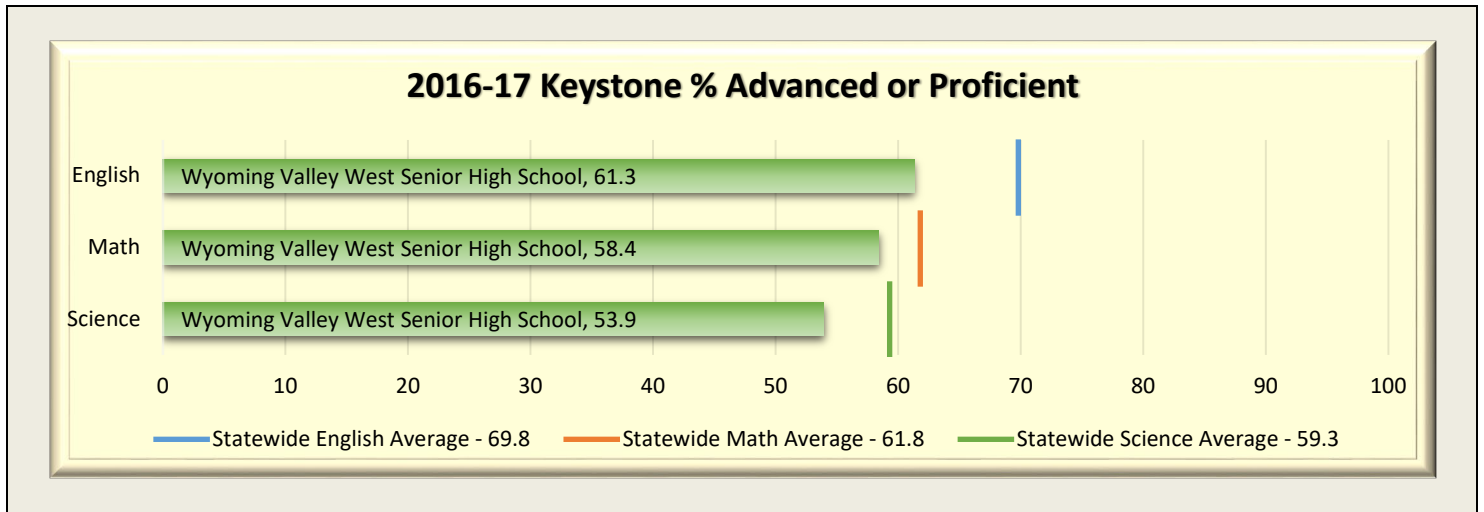
**2016-17 SPP Scores**



**2016-17 PSSA % Advanced or Proficient**

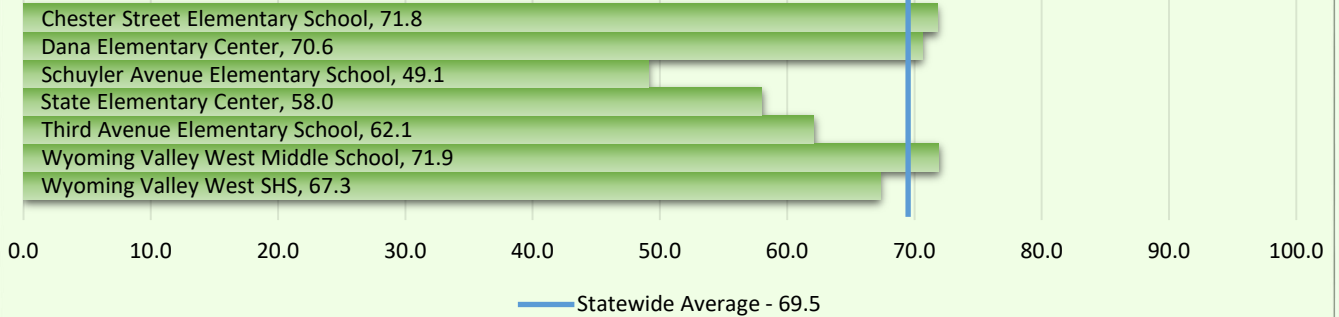


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages (continued)**

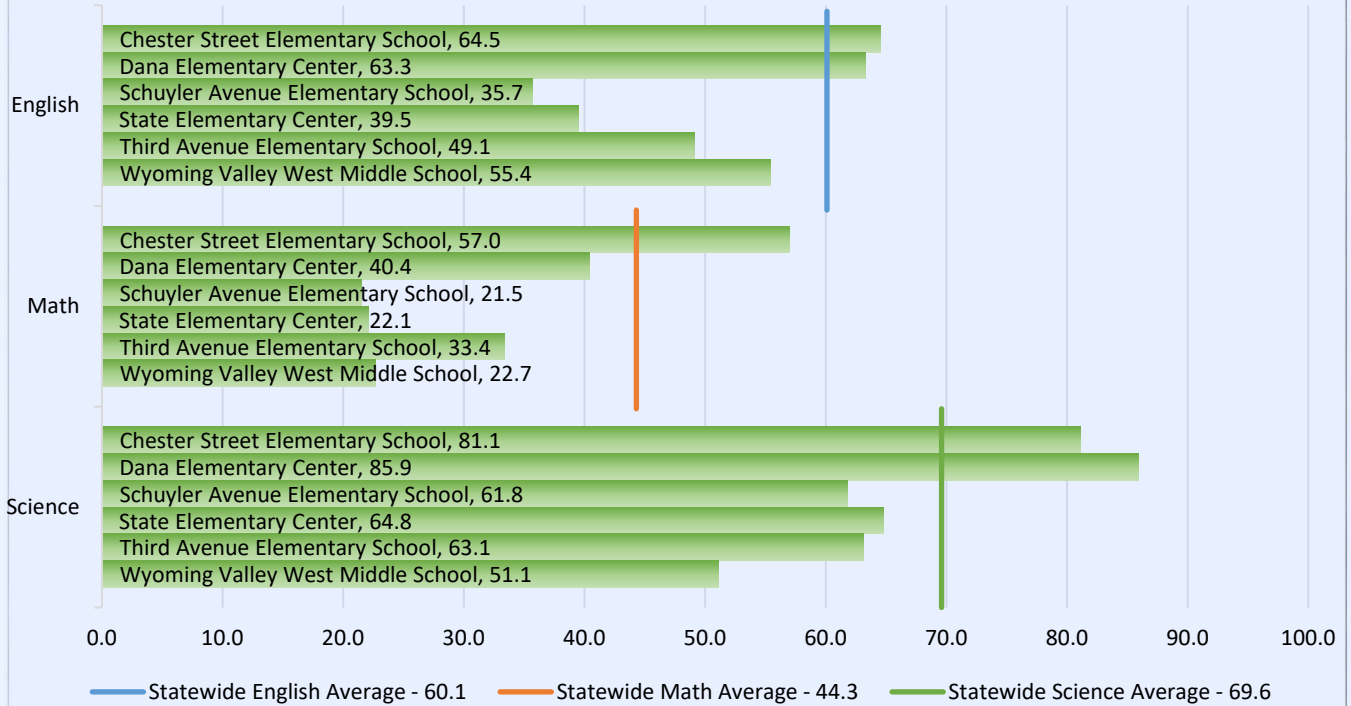


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

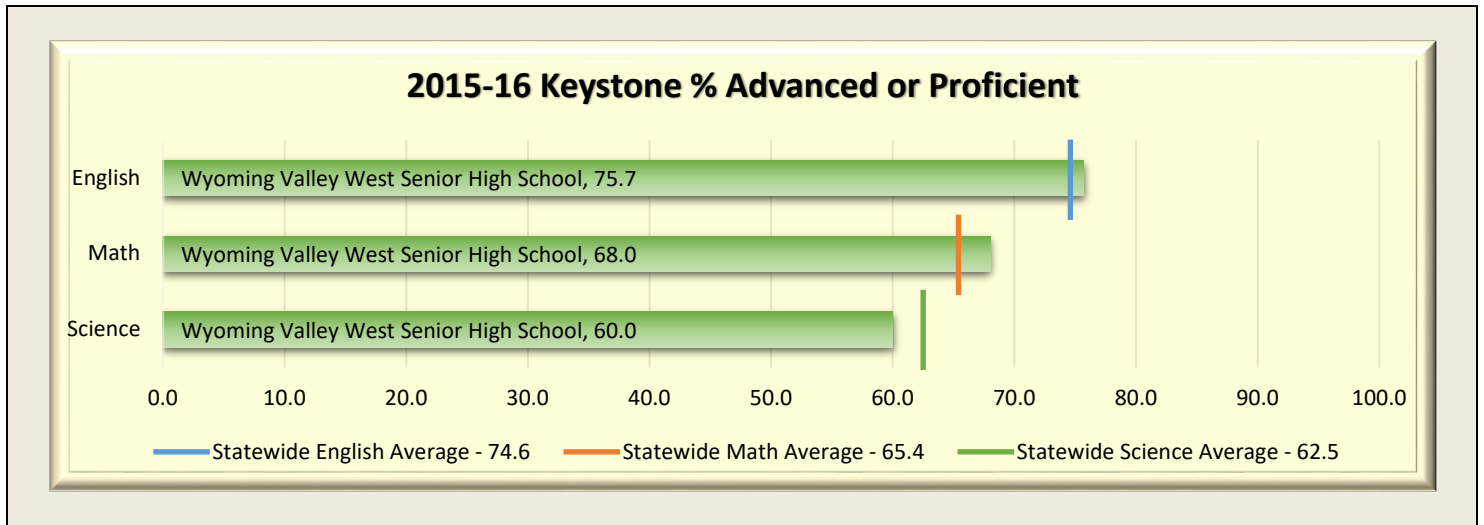
**2015-16 SPP Scores**



**2015-16 PSSA % Advanced or Proficient**



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



## **Distribution List**

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