

PERFORMANCE AUDIT

Stroudsburg Area School District Monroe County, Pennsylvania

July 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Cosmas C. Curry, Superintendent
Stroudsburg Area School District
123 Linden Street
Stroudsburg, Pennsylvania 18360

Dr. Judith Magann, Board President
Stroudsburg Area School District
123 Linden Street
Stroudsburg, Pennsylvania 18360

Dear Dr. Curry and Dr. Magann:

Our performance audit of the Stroudsburg Area 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, 2013 through June 30, 2017, 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. We communicated the results of our review of school safety, however, to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

Dr. Cosmas C. Curry

Dr. Judith Magann

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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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale

Auditor General

July 8, 2019

cc: **STROUDSBURG AREA SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Stroudsburg Area School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2013 through June 30, 2017, 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 2013-14 through 2016-17 school years.

Audit Conclusion and Results

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

Finding No. 1: The District Inaccurately Reported Transportation Data to the PDE Resulting in an Overpayment to the District of \$327,340.

The District was overpaid \$327,340 in transportation reimbursements from the Pennsylvania Department of Education (PDE). This overpayment was primarily due to the District inaccurately reporting the total approved miles traveled to transport students to and from school during the 2013-14 through 2016-17 school years. (See page 12).

Finding No. 2: The District Failed to Accurately Report Nonresident Student Data to the PDE Resulting in an Overpayment of \$153,421.

We found that the District failed to accurately report student nonresident data to the Pennsylvania Department of Education (PDE) for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. Inaccurately reporting this data resulted in noncompliance with the Public School Code and the State Board of Education's regulations and resulted in the District being overpaid \$153,421 in subsidy reimbursements from the PDE. These reporting errors occurred because District officials failed to obtain the necessary documentation to support categorizing and reporting some nonresident students. (See page 17).

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

Background Information

School Characteristics 2017-18 School Year ^A	
County	Monroe
Total Square Miles	73
Number of School Buildings	7
Total Teachers	387
Total Full or Part-Time Support Staff	291
Total Administrators	26
Total Enrollment for Most Recent School Year	5,097
Intermediate Unit Number	20
District Vo-Tech School	Monroe Career & Technical Institute

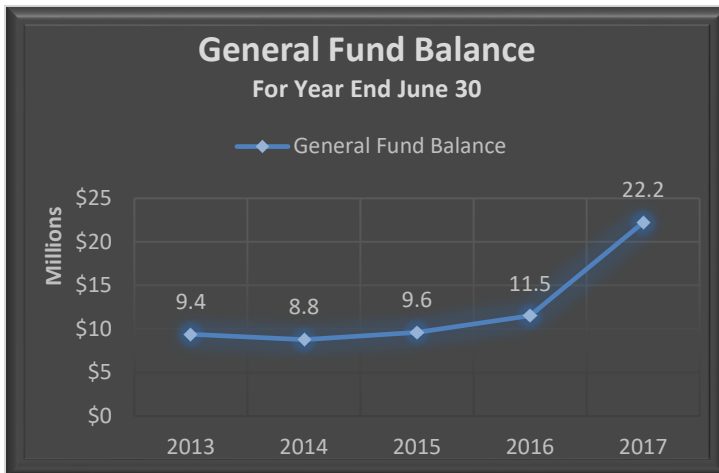
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

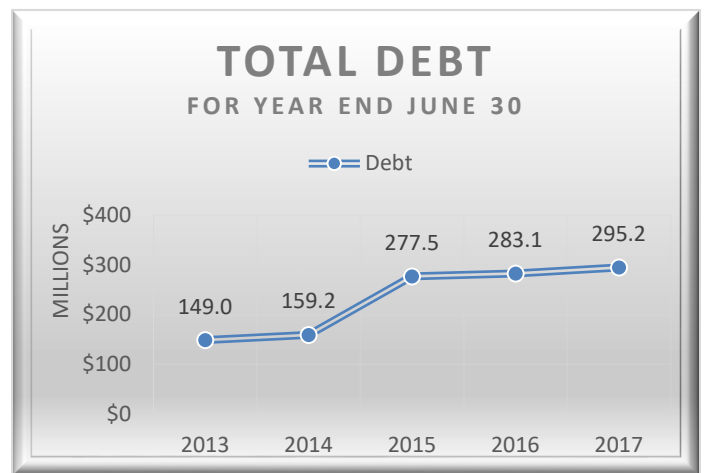
To empower all students in an active pursuit of knowledge.

Financial Information

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

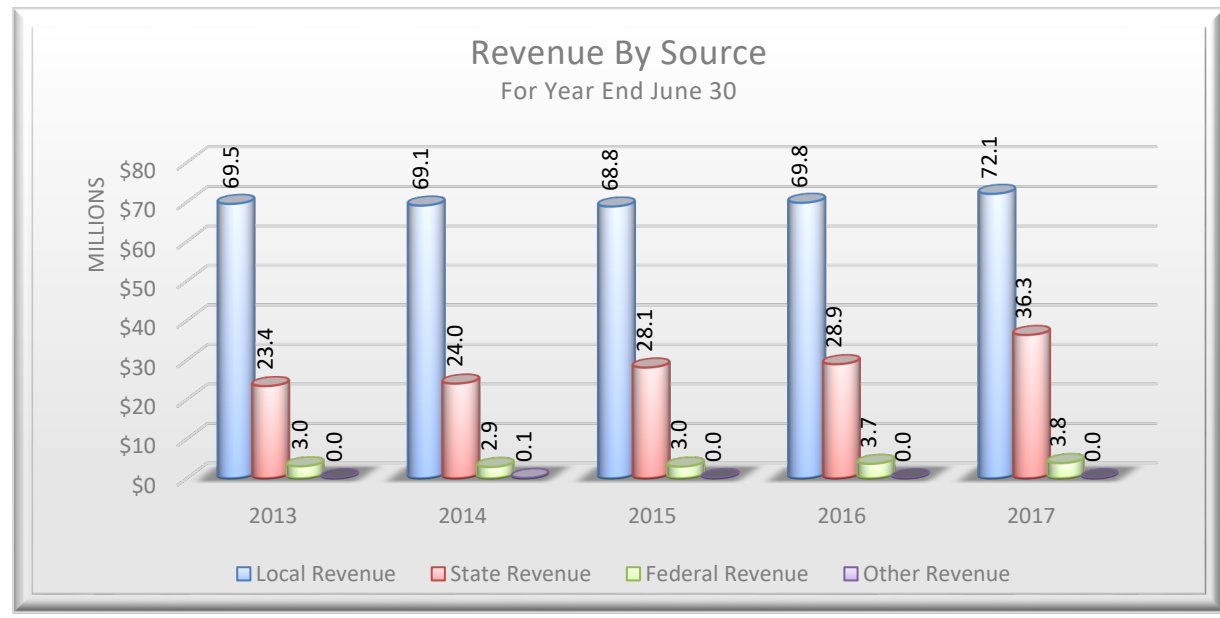
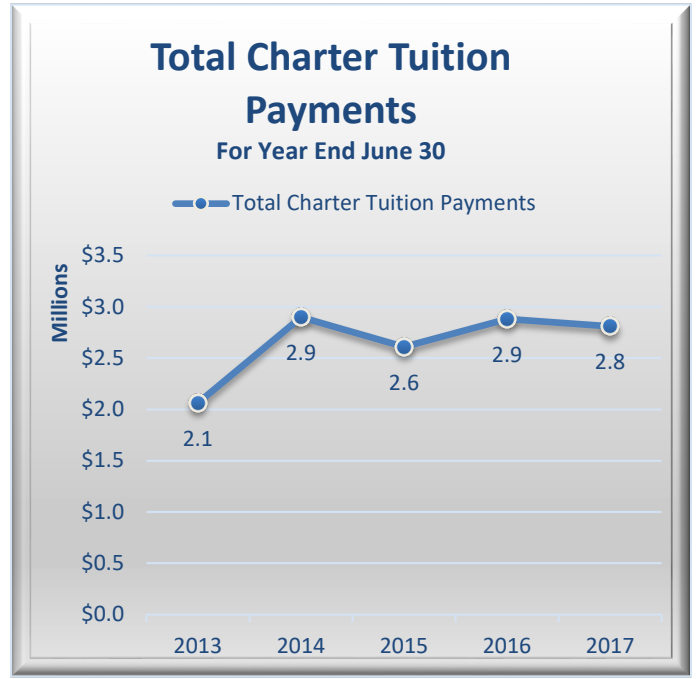
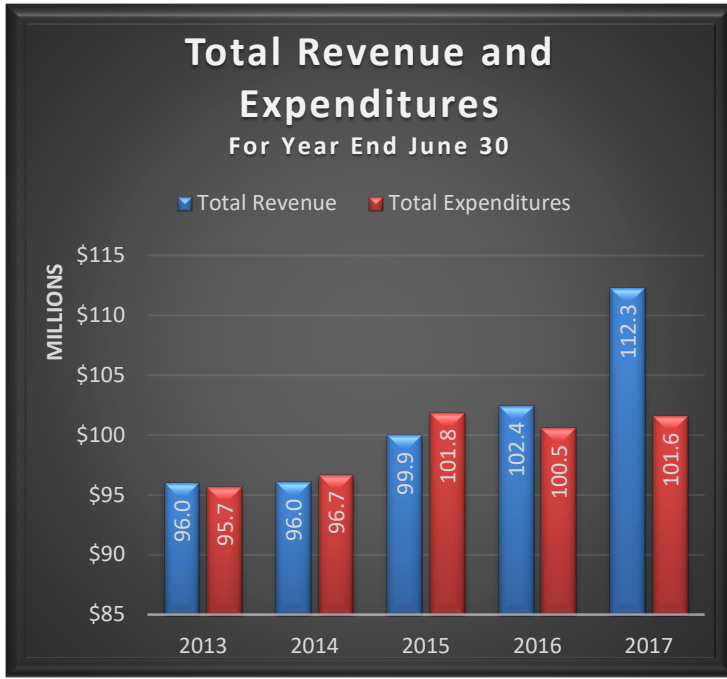


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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 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 the PDE's data files for the 2014-15, 2015-16 and 2016-17 school years.¹ These scores are provided in the District's 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.² Finally, 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.³

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. The PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, 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.

The PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, the 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.⁴ The PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

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.⁵ 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.

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

² The 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 the PDE's website for general information regarding the issuance of academic scores.

³ 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.

⁴ According to the PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with PA Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

⁵ 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).

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 and Math. 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.⁶ 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.

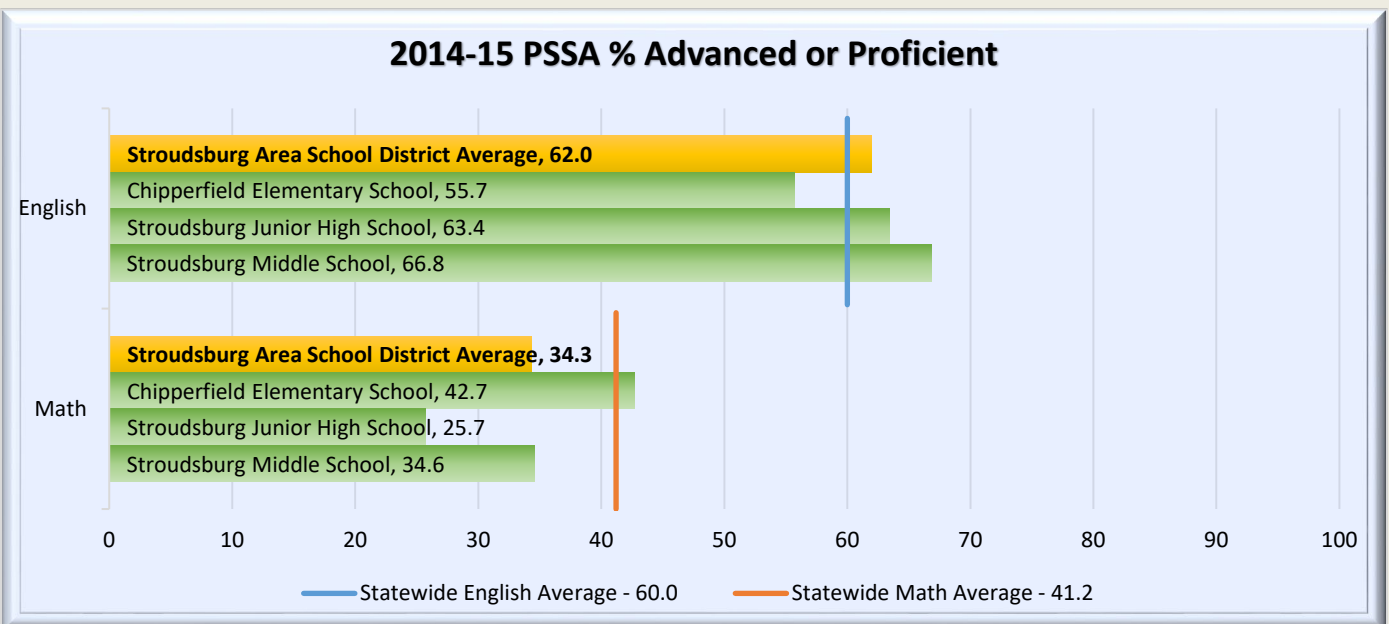
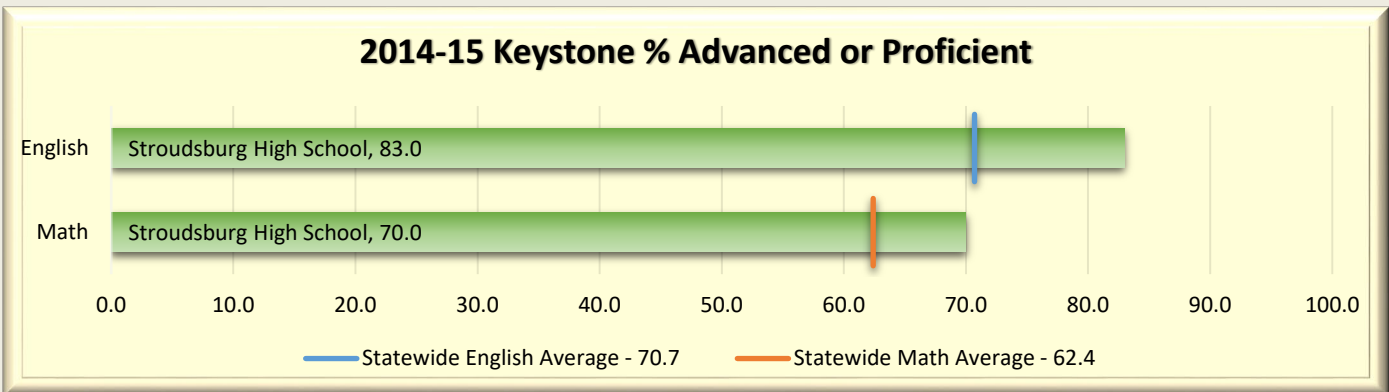
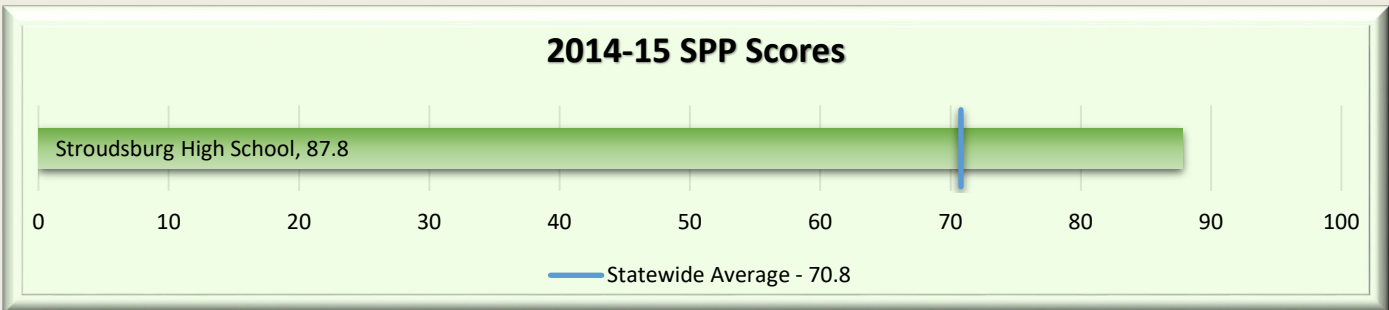
What is a 4-Year Cohort Graduation Rate?

The 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.⁷

⁶ The PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

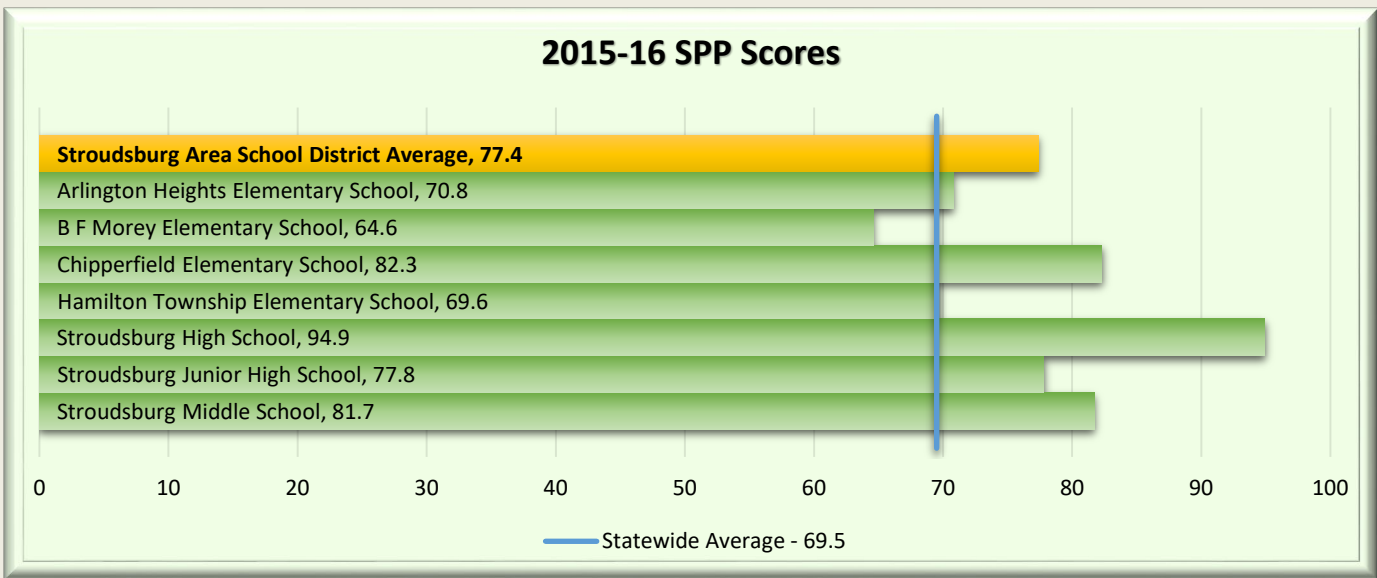
⁷ The PDE also calculates 5-year and 6-year cohort graduation rates. Please visit the PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

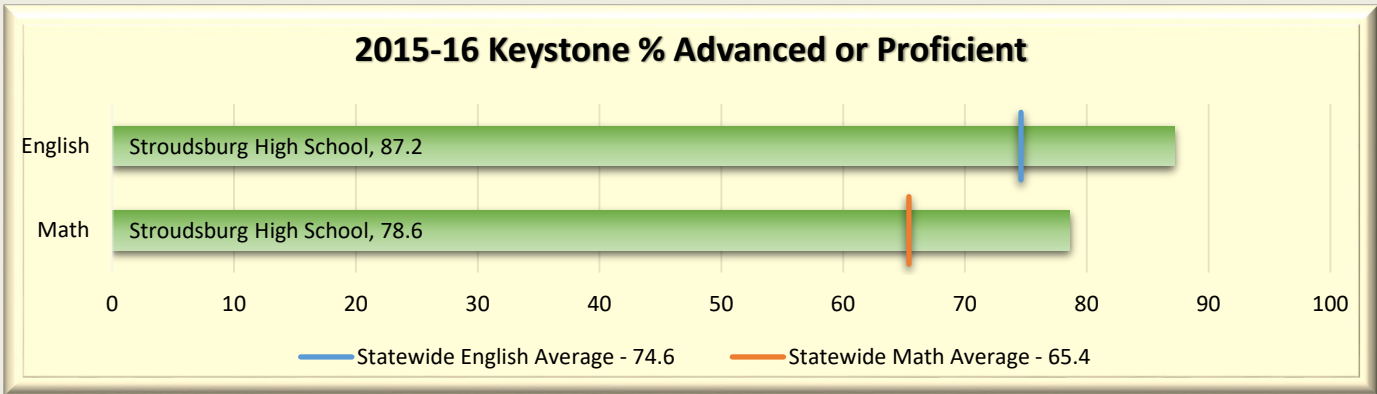


2015-16 Academic Data
School Scores Compared to Statewide Averages

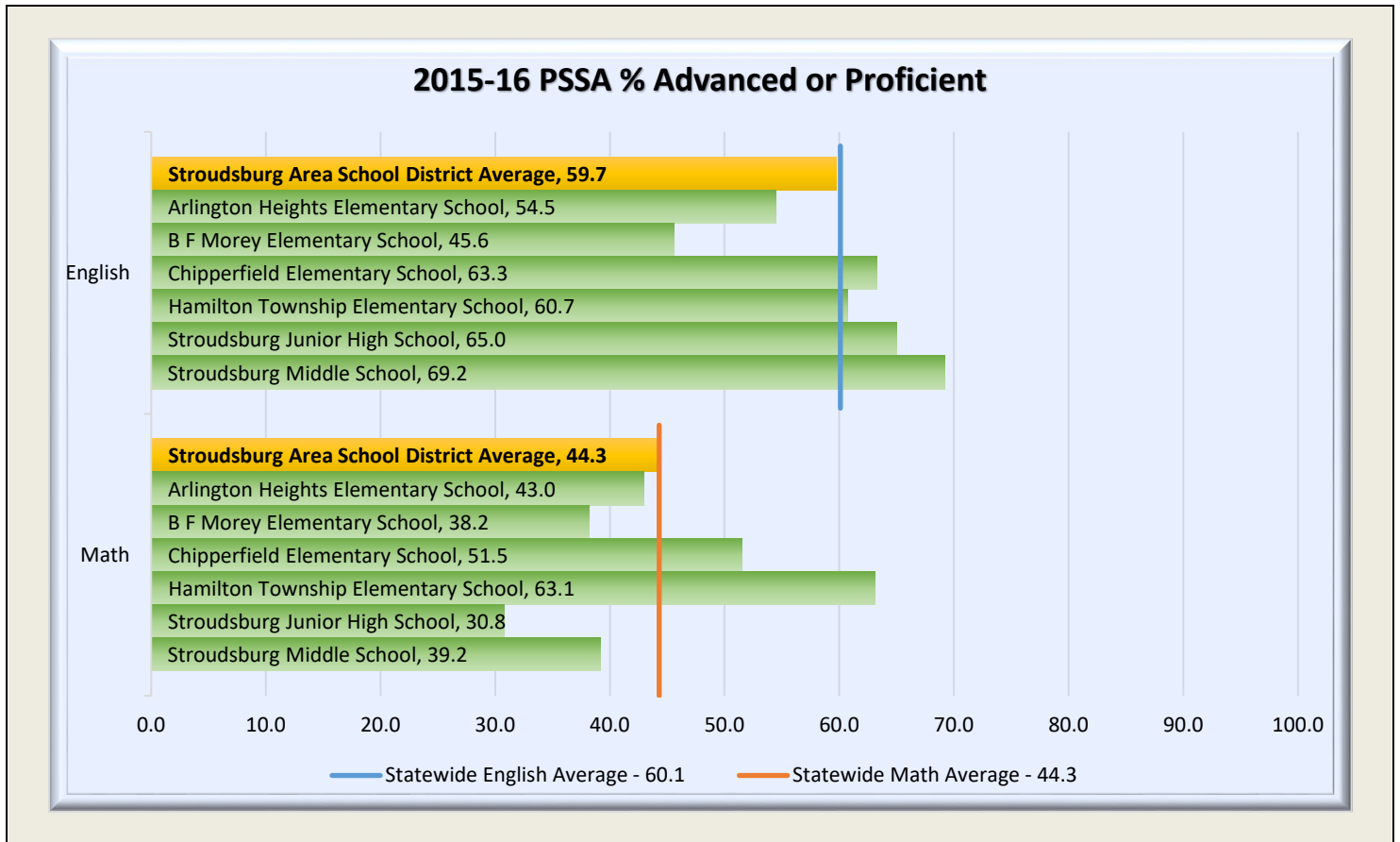
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient

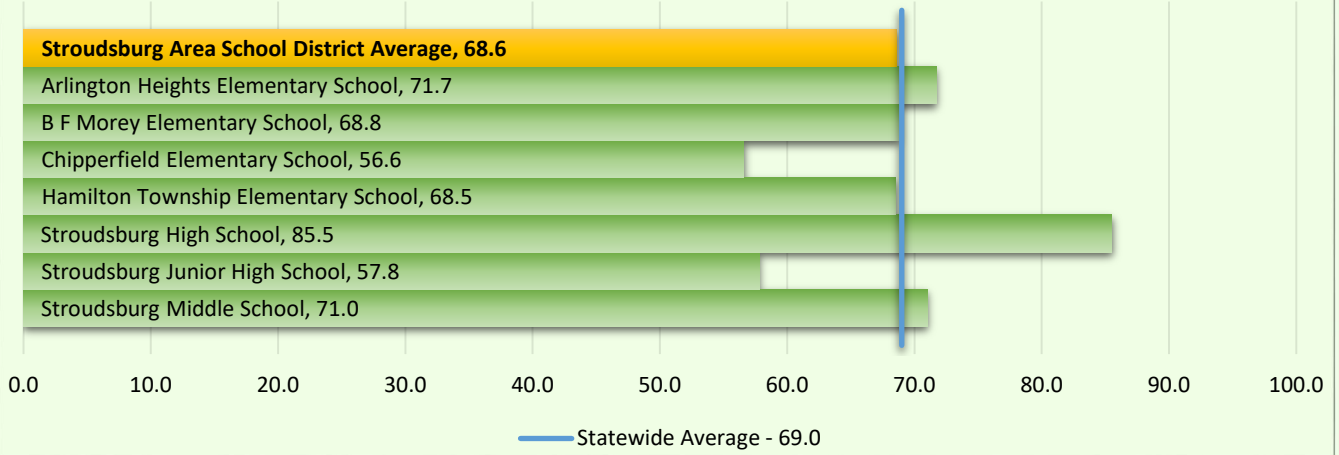


2015-16 Academic Data
School Scores Compared to Statewide Averages (continued)

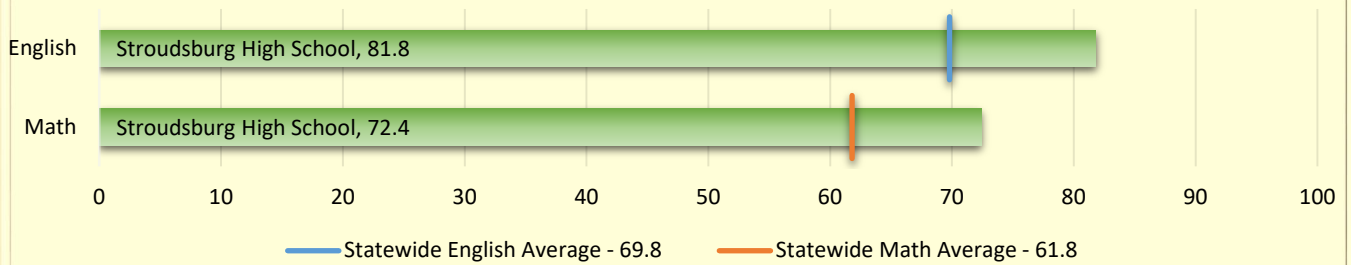


2016-17 Academic Data
School Scores Compared to Statewide Averages

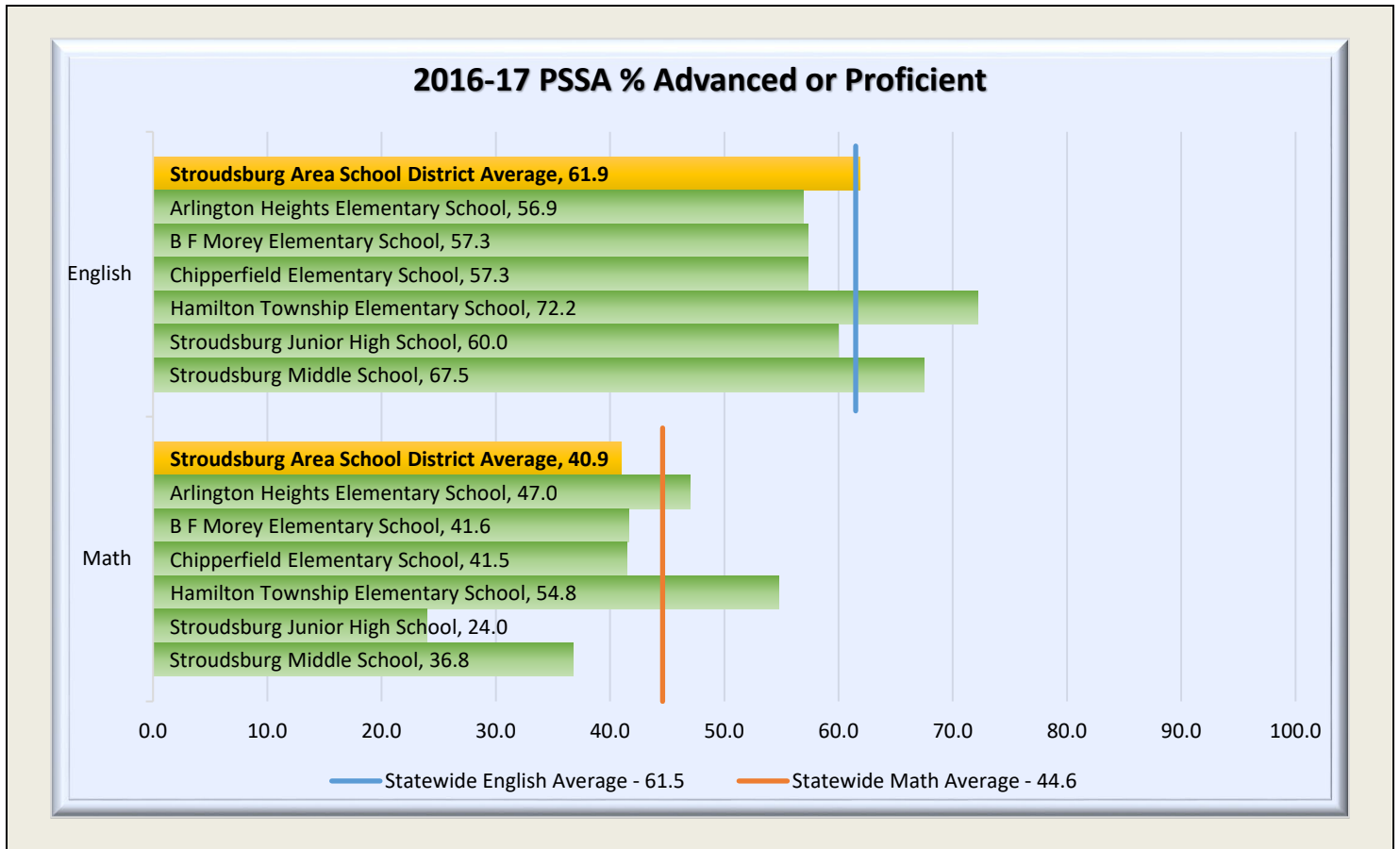
2016-17 SPP Scores



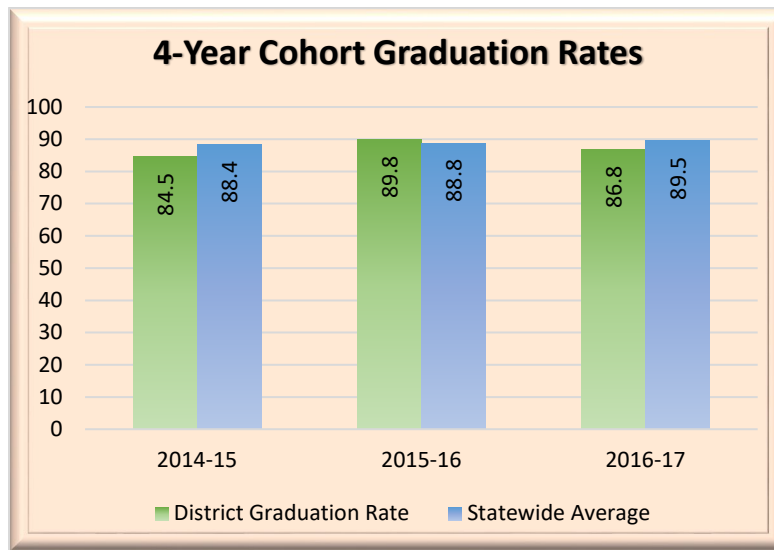
2016-17 Keystone % Advanced or Proficient



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



Graduation Data
District Graduation Rates Compared to Statewide Averages



Findings

Finding No. 1

The District Inaccurately Reported Transportation Data to the PDE Resulting in an Overpayment to the District of \$327,340

Criteria relevant to the finding:

Student Transportation Subsidy:

The Public School Code (PSC) provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 of the PSC 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 Stroudsburg Area School District (District) was overpaid \$327,340 in transportation reimbursements from the Pennsylvania Department of Education (PDE). This overpayment was primarily due to the District inaccurately reporting the total approved miles traveled to transport students to and from school during the 2013-14 through 2016-17 school years. Additionally, the District inaccurately reported the number of days that students were transported on some vehicles during the same time period. The number of errors related to reported number of days were less significant than the mileage errors.

Districts receive two separate transportation reimbursement payments from the PDE. One reimbursement is based on the number of students transported, the number of days each vehicle was used for transporting students, and the number of miles vehicles were in service, both with and without students (i.e., regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic school students transported (i.e., supplemental transportation reimbursement). The errors we identified in this finding impact the District’s regular transportation reimbursement received.

Regular transportation reimbursement is based on several components that are reported by the District to the 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.

Criteria relevant to the finding
(continued):

Sworn Statement and Annual Filing Requirement

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement, in a format prescribed by the Secretary of Education, of student transportation data for the prior and current school year with the Pennsylvania Department of Education (PDE) in order to be eligible for the transportation subsidies. See 24 P.S. § 25-2543.

Section 2543 of the PSC, entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in pertinent part:

“Annually, each school district entitled to reimbursement on account of student transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to student 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.” *Id.*

PDE instructions for Local Education Agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE.

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed 5/3/19)

Since the above listed components are integral to the calculation of the District’s transportation reimbursement, it is essential for the District to properly calculate, record, and report this information to the PDE. It is important to note that the Public School Code (PSC) requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school years with the PDE in order to be eligible for the transportation subsidies. The Stroudsburg Area School District filed this sworn statement for each of the 2013-14 through 2016-17 school years. 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 the PDE’s reporting requirements.

The table below summarizes the District’s reporting errors by school year and the resulting regular transportation reimbursement overpayments.

Stroudsburg Area School District Student Transportation Data				
School Year	Number of Vehicles with Errors	Total Mileage Over Reported	Total Days Students Transported Over/(Under) Reported	Subsidy Overpayment
2013-14	7	2,607	7	\$10,681 ⁸
2014-15	19	5,661	0	\$111,810
2015-16	17	5,664	(5)	\$109,177
2016-17	13	4,128	17	\$95,672
Total:	56	18,060	19	\$327,340

The reporting errors documented in the table above occurred on the District’s activity runs. An activity run is also referred to as a late run in the PDE reporting guidelines. An activity run is a vehicle trip used to transport students who stay after normal school hours to their homes. Activity runs are usually used to transport students home after extra-curricular activities. The PDE requires districts to calculate a weighted or sample average for all vehicles used to transport students during the school year. A weighted or sample average is required for vehicles used

⁸ The PDE transportation reimbursement formula comprises many components that factor into a district reimbursement payment. Reducing total mileage is not a one to one determination of the reimbursement amount.

*Criteria relevant to the finding
(continued):*

Daily Miles With

Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average.

Daily Miles Without

Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Number of Days

Report the number of days (a whole number) this vehicle provided to and from school transportation. Count any part of a day as one day.

Depending upon the service the vehicle provided, this number could exceed or be less than the number of days the district was in session; however, summer school or “Extended School Year” (*Armstrong v. Kline*) transportation may not be included in this number. “Early Intervention” program transportation may be included. If the district received a waiver of instructional days due to a natural or other disaster (e.g., a hurricane), the waiver does not extend to transportation services. Only days on which transportation was actually provided may be reported.

Activity Runs

For students who state after the end of the school day and are transported home on an “Activity Run” sometimes referred to as a “late run” the eTran systems allows entry of this information by checking the “Activity Run” box. Three data boxes will appear to enter the “Daily Miles With”, “Daily Miles Without” and “Number of Days” for the late run service only.

for activity runs and vehicles used to transport students to and from school during normal school hours.

We found that the District accurately calculated and reported sample averages for all vehicles used to transport students to and from school during normal school hours during the audit period. However, the District did not calculate a sample average for vehicles that completed activity runs. Instead of performing sample averages, the District reported to the PDE cumulative mileage totals for all vehicles that were used to complete activity runs. Reporting cumulative mileage totals resulted in the District significantly over reporting total mileage data to the PDE and was the primary cause of the subsidy overpayments. Additionally, the District inaccurately calculated and reported the total number of days students were transported on some activity runs. These errors occurred due to a clerical error on the spreadsheet the District was using to calculate this data. The spreadsheet was double counting total days for some of the activity runs. The errors in this category had a less significant effect on the District’s subsidy overpayments than the mileage errors.

We discussed the errors identified in this finding with the District and District officials are in the process of reviewing mileage data reported to the PDE for the 2017-18 to determine if revisions are needed prior to the PDE reimbursing the District for transportation expenditures. The District lacked written procedures on how to calculate and report mileage data for activity runs. Additionally, the District did not perform a review of activity run mileage for previous school years or have a second level review of transportation data prior to reporting to the PDE. A review of prior year activity run mileage would have helped identify the significant increase reported for the 2014-15 school year. Requiring someone other than the official who prepared the data to review it prior to submitting it to the PDE could have helped identify the clerical errors that led to total days students were transported being over reported.

Transportation reimbursement is a significant revenue source for the District and it is critically important that current District officials make reporting accurate transportation data to the PDE a priority so the District receives the correct amount of transportation

reimbursement.

Recommendations

The *Stroudsburg Area School District* should:

1. Properly train appropriate District officials to ensure that the PDE guidelines are followed in regard to calculating and reporting mileage data for vehicles that complete activity runs.
2. Implement a procedure to have a District official, other than the person who prepares the data, review and approve transportation data prior to the District annually filing its sworn statement of student transportation data.
3. Conduct a multi-year trend analysis of student transportation data to help identify unexplained fluctuations. Any unexplained fluctuations should be investigated to provide additional assurances that data is accurately reported to the PDE.
4. Develop transportation reporting procedures that specifically address the need to complete a weighted or sample average of mileage data for vehicles that complete activity runs.

The *Pennsylvania Department of Education* should:

5. Adjust the District's future allocations to recover the overpayment of \$327,340.

Management Response

District management provided the following response:

1. "The District will provide the necessary training to all transportation staff that is involved in calculating and reporting mileage data. We will use various resources to assure mastery of the process.
2. The Supervisor of Transportation will oversee all calculation and mileage data to be submitted to the Pennsylvania Department of Education for transportation reimbursement and address any issues

with staff to assure the accuracy of all information before submission.

3. The Supervisor of Transportation will institute a management collection plan to evaluate, analyze, and compare final transportation reports from year to year in an effort to identify problem areas and/or areas that require improvements moving forward.
4. The Supervisor of Transportation will sample mileage data and compare to actual and verify to assure accuracy during the school year.”

Auditor Conclusion

We are pleased that the District intends to implement our recommendations. We believe our recommendations will help the District to improve its internal controls over the reporting of transportation data. We will evaluate the effectiveness of this and any other corrective action taken by the District during our next audit.

Finding No. 2

The District Failed to Accurately Report Nonresident Student Data to the PDE Resulting in an Overpayment of \$153,421

Criteria relevant to the finding:

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

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

We found that the District failed to accurately report student nonresident data to the PDE for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. Inaccurately reporting this data resulted in noncompliance with the PSC and the State Board of Education’s regulations and resulted in the District being overpaid \$153,421 in subsidy reimbursements from the PDE. These reporting errors occurred because District officials failed to obtain the necessary documentation to support categorizing and reporting some nonresident students.

For a district to be eligible to receive Commonwealth funding for a nonresident student at the resident student rate, the student’s parent/guardian must not be a resident of the educating district and the student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.⁹ These students are commonly referred to as “foster students,” and it is the requirement of the educating district to obtain the required documentation to correctly categorize and accurately report the number of foster students to the PDE.

Under the regulations, a district’s board of school directors is precluded from accepting a child as a student until the child’s parent/guardian who is a district resident files with the board secretary either appropriate legal documentation to show dependency or guardianship (e.g., an Agency Placement Letter) or a sworn statement that the child is a resident of the district.¹⁰

The Stroudsburg Area School District inaccurately categorized and reported 26 foster students to the PDE during the 2013-14 through 2016-17 school years. The following table details the District errors we identified

⁹ For example, the relevant county children and youth agency.

¹⁰ See 22 Pa. Code § 11.19(a).

Criteria relevant to the finding (continued):

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

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

State Board of Education’s regulations and PDE guidelines govern the classification of nonresident children placed in private homes.

during our review. In each school year cited in the table below, the District inaccurately reported resident students as nonresident students.

Stroudsburg Area SD Nonresident Student Data Reported to the PDE			
School Year	Nonresident Students Incorrectly Reported to the PDE	# of Days Incorrectly Reported	Overpayment
2013-14	8	557	\$40,976 ¹¹
2014-15	5	538	\$39,586
2015-16	5	364	\$28,227
2016-17	8	587	\$44,632 ¹²
Total	26	2,046	\$153,421

For the 2013-14, 2014-15, 2015-16, and 2016-17 school years, the District failed to: 1) obtain the necessary documentation to support the nonresidency classification of its 26 foster students and 2) accurately categorize and report these students to PDE. The District must make more of a concerted effort to follow the requirements of the PSC and the regulations. For each of the four years reviewed, the District failed to obtain Agency Placement Letters (APLs) for the corresponding school year under review. Requiring annual APLs to be completed could have helped the District accurately identify the residency status of students reported to the PDE as nonresidents. Additionally, the District over-reported total nonresident membership days in the 2013-14 and 2016-17 school year. The District’s failure to have a review process for this data allowed incorrect information to be reported to the PDE, resulting a \$153,421 overpayment.

¹¹ For the 2013-14 school year, in addition to incorrectly reporting 557 resident days as nonresident days, the District over-reported total nonresident membership days by 81. The overpayment in the table above includes the \$6,020 overpayment.

¹² For the 2016-17 school year, in addition to incorrectly reporting 587 resident days as nonresident days, the District over-reported total nonresident membership days by 10. The overpayment in the table above includes the \$834 overpayment.

Criteria relevant to the finding (continued):

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

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

We provided the PDE with reports detailing the errors we identified for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. The PDE requires these reports to verify the overpayment to the District. The District's future subsidy reimbursements should be adjusted by the amount of the overpayment.

Recommendations

The Stroudsburg Area School District should:

1. Annually obtain APLs for all nonresident students and ensure that the APLs contain all required information needed to determine the residency status of each student.
2. Develop procedures that reconcile the number of nonresident students reported to the PDE to individual APLs and ensure that a second level review of this reconciliation is performed.

The Pennsylvania Department of Education should:

3. Adjust the District's future subsidy reimbursement to resolve the overpayment of \$153,421.

Management Response

District management provided the following response:

“The Student Registration Office in coordination with Child Accounting will send out letters to every foster parent in the school district at the end of the school year to receive Agency Placement Letters with every notarized 1305 letter that is now required of every foster parent. The 1305 letter and the corresponding APL will be utilized to register the foster student for the upcoming school year.

“The 1305 letter contains the required subsidy information as well as the foster family information and the agency information. Once the paperwork is received and notarized, the Child Accounting Coordinator will enter the foster residency information for each student in the Student Information System and upload a digital copy of the APL and the 1305 form into the Student Document Center in the SIS. A copy of the forms is sent to the appropriate school

building and is kept as part of the student's individual student file.

“The Child Accounting Coordinator will be recording the foster students on a PDE 4507 form which is an additional form of tracking to the students' files. The students' APLs are attached to the completed PDE 4507 in a hard copy form. At the end of the school year, the membership days are run and added to the 4507 form.

“Elementary secretaries are no longer registering foster students. All foster students have to register with the Student Registration Office in the High School to ensure that the information is received by Child Accounting for every foster student. Additionally, access rights to delete previously coded and uploaded documentation for foster students have been taken away from all district users except the Student Registration Office.”

Auditor Conclusion

We are pleased that the District intends to implement our recommendations. We believe our recommendations will help the District to improve its internal controls over the reporting of nonresident membership. We will evaluate the effectiveness of this and any other corrective action taken by the District during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Stroudsburg Area School District resulted in no findings or observations.

Appendix: 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,¹³ 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, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Stroudsburg Area 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).¹⁴ 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.

¹³ 72 P.S. §§ 402 and 403.

¹⁴ 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, academic performance data, 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, 2013 through June 30, 2017. 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
- ✓ Nonresident Student Data
- ✓ 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:

- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁵
 - To address this objective initially, we randomly selected 10 of 54 vehicles that performed regular run buses for the 2016-17 school year. For each vehicle selected, we obtained odometer readings, student rosters, school calendars, and vehicle invoices, and verified the accuracy of miles, days in service, and students transported as reported by the District to the PDE. After discovering errors in the District's reporting of activity run mileage, we expanded our testing and reviewed all 56 of the vehicles that performed activity runs for the District during the 2013-14, 2014-15, 2015-16, and 2016-17 school years. For all 56 vehicles, we obtained odometer readings, student rosters, school calendars, and vehicle invoices, and verified the accuracy of miles, days in service, and students transported as reported by the District to the PDE. Our review of this objective resulted in Finding No. 1 on page 12 in this report.
- ✓ Did the District accurately report nonresident students to the PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁶

¹⁵ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹⁶ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- To address this objective, we reviewed all 83 nonresident students reported by the District to the PDE during the 2013-14, 2014-15 and 2015-16, and 2016-17 school years. We obtained documentation to verify that the custodial parent or guardian was not a resident of the District and the foster parent received a stipend for caring for the student. The student listings were compared to the total days reported on the Membership Summary and Instructional Time and Membership Report to ensure that the District received correct reimbursement for these students. The results of our review of this objective can be found in Finding No. 2 on page 17 of this report.
- ✓ 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 Code¹⁷ and Public School Employees' Retirement System (PSERS) guidelines?
 - To address this objective, we reviewed the contracts, board meeting minutes, board policies, and payroll records for all five individually contracted administrators who separated employment with the District during the period July 1, 2013 through May 1, 2019. We verified the reasons for the separation and reviewed payroll records to ensure that payments were correctly reported to PSERS. 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 clearances¹⁸ as outlined in applicable laws?¹⁹ 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 69 district employed bus drivers transporting District students as of December 4, 2018.²⁰ We also selected all six contracted bus drivers used by the District to transport students during the 2013-14 school year.²¹ For each driver selected we reviewed documentation and qualifications of drivers 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

¹⁷ 24 P.S. § 10-1073(e)(2)(v).

¹⁸ Auditors reviewed the required state, federal and child abuse background clearances 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*.

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 All contracted bus drivers were selected because we considered them to have a higher risk of not meeting the requirements since these drivers were added by the District due to not having enough District employed bus drivers to meet student transportation needs.

procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?²²
 - 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, the PDE, and other appropriate agencies deemed necessary.

²² 24 P.S. § 13-1301-A *et seq.*

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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