

PERFORMANCE AUDIT

Carbondale Area School District Lackawanna County, Pennsylvania

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mrs. Holly W. Sayre, Superintendent
Carbondale Area School District
101 Brooklyn Street
Carbondale, Pennsylvania 18407

Dr. Gary Smedley, Board President
Carbondale Area School District
101 Brooklyn Street
Carbondale, Pennsylvania 18407

Dear Mrs. Sayre and Dr. Smedley:

We have conducted a performance audit of the Carbondale Area School District (District) for the period July 1, 2016 through June 30, 2020, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in Appendix A of this report:

- Financial Stability
- Transportation Operations
- Bus Driver Requirements
- Nonresident Student Data
- Administrator Separations

We also evaluated the application of best practices in the area of school safety and determined compliance with certain requirements in this area, including compliance with fire and security drills. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the full results in this report. However, we communicated the full results of our review of school safety to District officials, the Pennsylvania Department of Education (PDE), and other appropriate officials as deemed necessary.

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

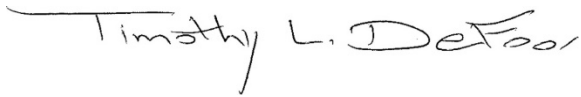
Our audit identified noncompliance and failure to follow best practices in the area of financial stability. We also identified noncompliance and deficiencies in the reporting of fire and security data to PDE as detailed in the first finding of this report. We also identified noncompliance and deficiencies in the reporting of fire and security drill data to PDE, which is detailed in the second finding of this report. A summary of the results is presented in the Executive Summary section of the audit report.

Mrs. Holly W. Sayre
Dr. Gary Smedley
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In addition, we identified internal control deficiencies in the areas of transportation operations and administrator separations that were not significant but warranted the attention of District management and those charged with governance. Those deficiencies were communicated to District management and those charged with governance for their consideration. Finally, we found that the District performed adequately in the areas of bus driver requirements and nonresident student data and we did not identify any internal control deficiencies.

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

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

March 30, 2022

cc: **CARBONDALE 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 Carbondale 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 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, 2016 through June 30, 2020, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2016-17 and 2019-20 school years.

Audit Conclusion and Results

Our audit found areas of noncompliance and significant internal control deficiencies as detailed in the two findings in this report.

Finding No. 1: The District's Pattern of Continual Borrowing is Unsustainable and Has Left the District in a Precarious Financial Position. Our review of the District's financial position over a five-year period revealed that the District's General Fund balance did not meet best practices recommended by the Government Finance Officers Association and decreased to a negative \$2.4 million as of June 30, 2019. The District's General Fund balance increased to a positive \$2.3 million at June 30, 2020; however, the increase in the District's General Fund balance can be attributed to the proceeds from borrowing. While the net borrowing proceeds of \$4 million, received in the 2019-20 school year, shored up the General Fund balance and enabled the District to cover

operating costs, the borrowing was a recurring action and calls into question the future financial viability of the District (see page 7).

Finding No. 2: The District Failed to Conduct All Required Fire and Security Drills in Accordance with the Public School Code. Our review of the District's fire and security drill data found that the District failed to conduct the required **fire and security drills** in the 2018-19 school year, as required by the Public School Code.¹ Furthermore, we found that the District inaccurately reported drill data to the Pennsylvania Department of Education in the 2018-19 and 2019-20 school years (see page 18).

Status of Prior Audit Findings and Observations.

During our previous audit, pertaining to the District's financial stability, we found that the District took corrective action to address one of our five prior audit recommendations and did not take corrective actions to address the remaining four prior audit recommendations (see page 22). The District's financial status was again the subject of a finding in our current report (see page 7).

¹ 24 P.S. § 15-1517(a) (as amended by Act 55 of 2017, effective November 6, 2017).

Background Information

School Characteristics 2020-21 School Year*	
County	Lackawanna
Total Square Miles	18.5
Number of School Buildings	2
Total Teachers	103
Total Full or Part-Time Support Staff	69
Total Administrators	6
Total Enrollment for Most Recent School Year	1,480
Intermediate Unit Number	19
District Career and Technical School	Career and Technology Center of Lackawanna County

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

Mission Statement*

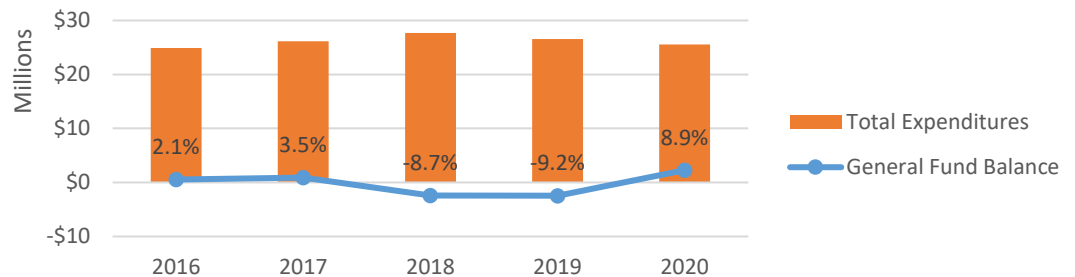
To prepare all students to be active and productive citizens of a changing global community by fostering lifelong, self-directed learning, independent and collaborative decision-making through critical thinking and self-awareness.

Financial Information

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

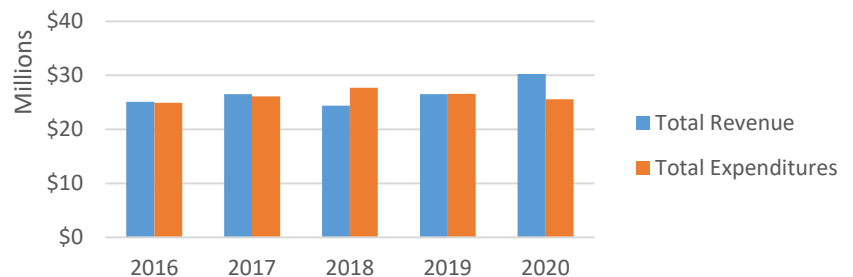
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2016	\$522,225
2017	\$927,203
2018	(\$2,397,763)
2019	(\$2,452,327)
2020	\$2,275,298



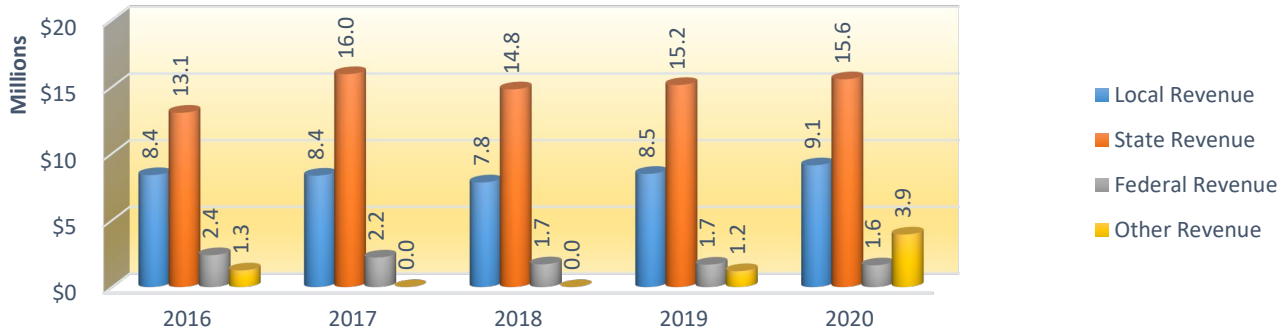
Revenues and Expenditures

	Total Revenue	Total Expenditures
2016	\$25,111,953	\$24,897,016
2017	\$26,539,905	\$26,134,926
2018	\$24,381,321	\$27,706,287
2019	\$26,518,588	\$26,573,151
2020	\$30,282,670	\$25,555,049

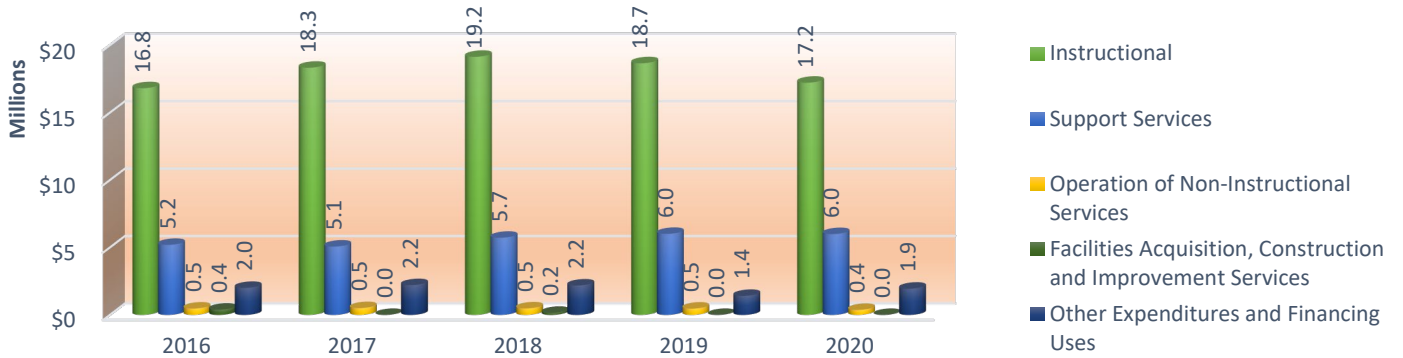


Financial Information Continued

Revenues by Source

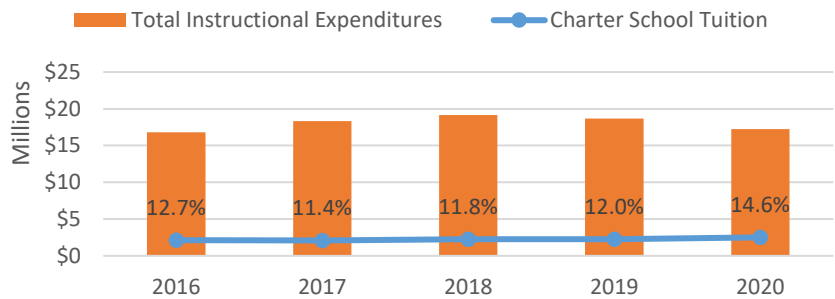


Expenditures by Function

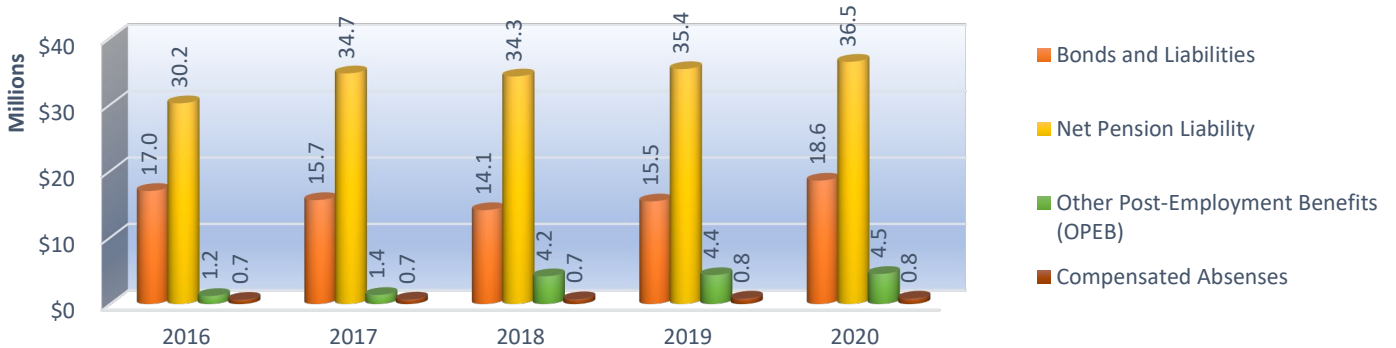


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2016	\$2,142,535	\$16,820,339
2017	\$2,093,052	\$18,341,108
2018	\$2,263,338	\$19,151,809
2019	\$2,244,467	\$18,672,560
2020	\$2,512,125	\$17,231,118



Long-Term Debt

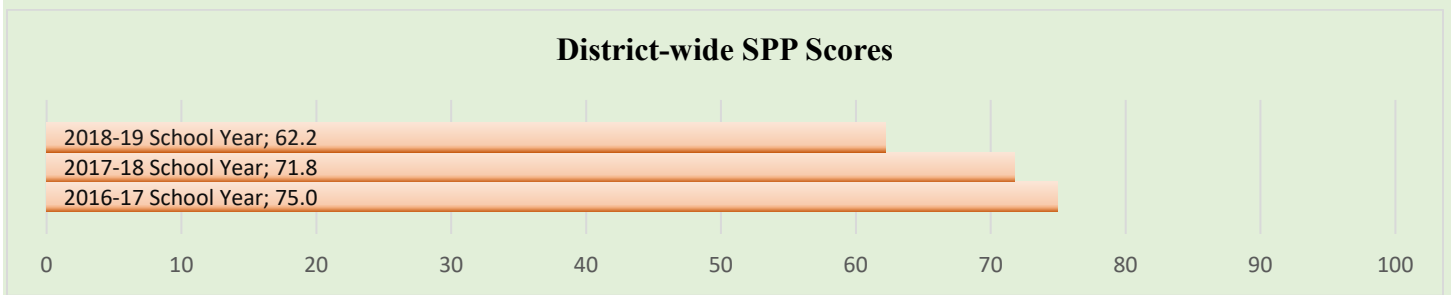


Academic Information²

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, and Keystone Exam results for the District obtained from PDE's data files for the 2016-17, 2017-18, and 2018-19 school years.³ In addition, the District's 4-Year Cohort Graduation Rates are presented for the 2017-18 through 2019-20 school years.⁴ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score annually using a 0-100 scale for all school buildings in the Commonwealth, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.



² PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publicly available website.

³ Due to the COVID-19 pandemic the PSSA and Keystone Exam requirements were waived for the 2019-20 school year; therefore, there is no academic data to present for this school year.

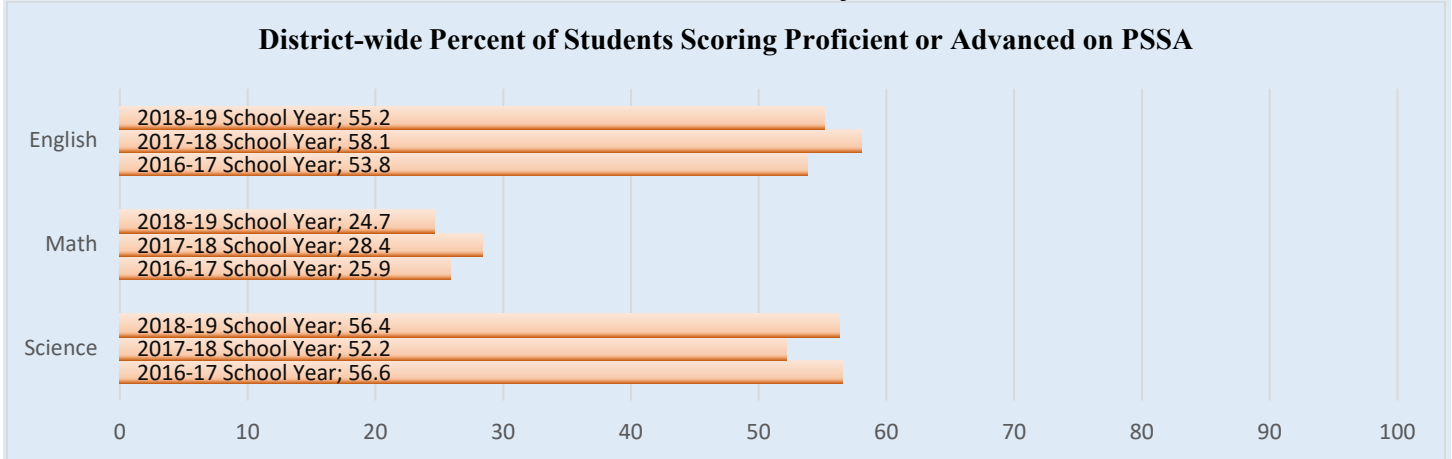
⁴ Graduation rates were still reported for the 2019-20 school year despite the COVID-19 pandemic.

Academic Information Continued

What is the PSSA?

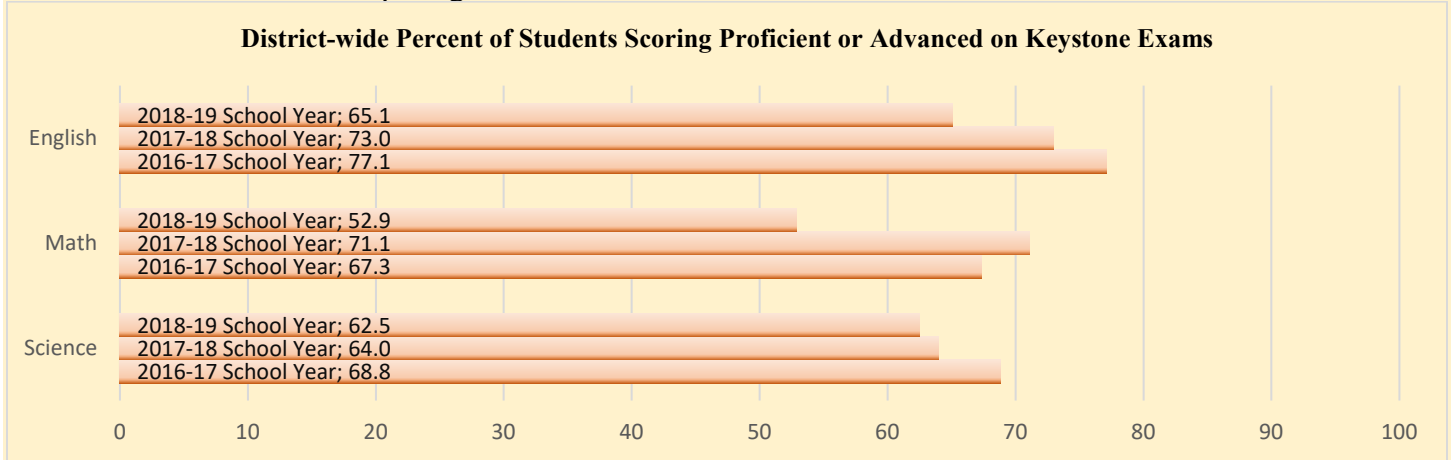
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

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



What is the Keystone Exam?

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

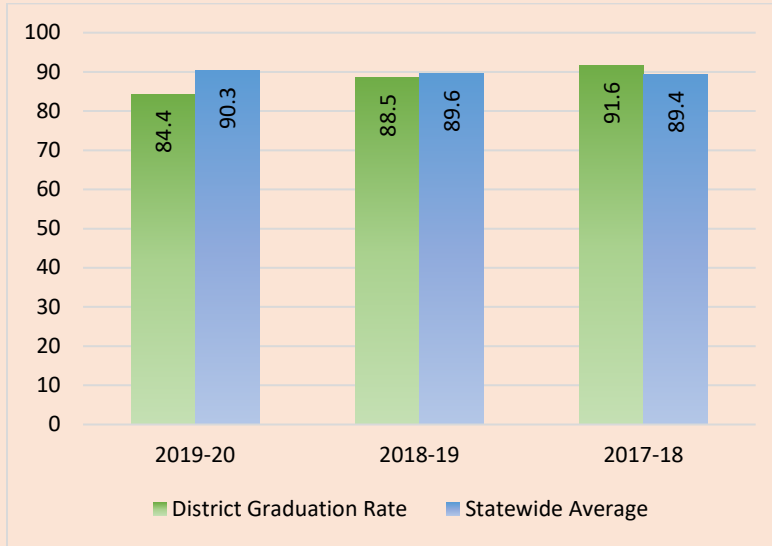


⁵ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) on Keystone end-of-course exams (Keystone Exams) in the context of the pandemic of 2020: <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/Pages/Keystone-Exams.aspx>

Academic Information Continued

What is a 4-Year Cohort Graduation Rate?

PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph below.⁶



⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information:
<https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

Findings

Finding No. 1

The District's Pattern of Continual Borrowing is Unsustainable and Has Left the District in a Precarious Financial Position

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.

District Policy Manual, Section 600 Finances, Fund Balance states, in part:

The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than fifteen percent (15%) of the budgeted expenditures for that fiscal year. The total fund balance, consisting of several portions including restricted, committed, assigned and unassigned, may exceed fifteen percent (15%). If the unassigned portion of the fund balance falls below the threshold of five percent (5%) of budgeted expenditures, the Board will pursue options for increasing revenues and decreasing expenditures, or a combination of both until five percent (5%) is attained.

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 policy on the level of the unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk.

Our review of the Carbondale Area School District's (District) financial position over a five-year period revealed that the District's General Fund balance did not meet best practices recommended by the Government Finance Officers Association (GFOA) and decreased to a negative **\$2.4 million** as of June 30, 2019. The District's General Fund balance increased to a positive \$2.3 million at June 30, 2020; however, the increase in the District's General Fund balance can be attributed to the proceeds from borrowing. While the net borrowing proceeds of \$4 million, received in the 2019-20 school year, shored up the General Fund balance and enabled the District to cover operating costs, the borrowing was a recurring action and calls into question the future financial viability of the District.

We reviewed several financial benchmarks, including the General Fund balance, operating position, and financial ratios, to evaluate changes in the District's financial position over a period of five years from July 1, 2015 through June 30, 2020.

Declining General Fund Balance

The District's General Fund balance was unassigned during the audit period. The following table shows the year-end General Fund balance for each year of the audit period.

Table No. 1

Carbondale Area School District General Fund Balance	
As of June 30	Amount
2016	\$ 522,224
2017	\$ 927,203
2018	\$(2,397,764)
2019	\$(2,452,327)
2020	\$ 2,275,298

As illustrated in Table No. 1 above, the District's General Fund balance deteriorated significantly from fiscal year end 2017 to 2019. Consequently, the District had to borrow funds in the 2019-20 fiscal year

Criteria relevant to the finding (continued):

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.

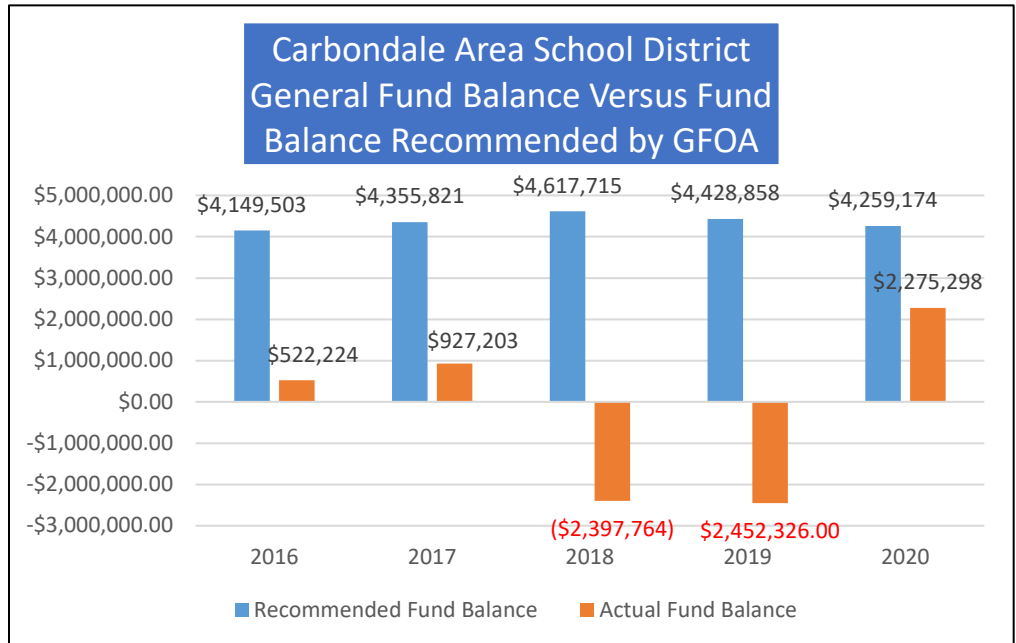
Budgeting and maintaining adequate fund balances allow school boards and superintendents to maintain their educational programs and services with level tax adjustments. They also provide financial stability in emergency situations so that it is certain that employees and vendors are paid on time. Fund 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.

to maintain operations. In the short-term, the borrowing resulted in a substantial increase to the General Fund balance but the long term affects will burden the District with increased debt service payments well into the future.

Noncompliance with best practices: The adequacy of an unassigned fund balance in the general fund can and should vary from one school district to the next and should take into consideration each district’s own unique circumstances. Nevertheless, the GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted General Fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures plus transfers out.⁷

The District did not maintain a General Fund balance that conformed to best practices for any of the five years of the audit period. Even at its highest amount, which was as of June 30, 2020, the fund balance of \$2,275,298 was significantly less than the fund balance recommended by the GFOA. More specifically, the District’s operating expenditures for that year were \$25.5 million which equates to an estimated \$2.1 million in monthly expenditures. Therefore, according to GFOA guidelines, the District should maintain an unrestricted fund balance of \$4.2 million. Even with the significant borrowing proceeds received in that year, the District’s June 30, 2020 fund balance would cover only one-month of expenditures. Chart No. 1 provides an illustration of the difference between the recommended GFOA General Fund balance and the District’s actual General Fund balance over the five-year period.

Chart No. 1



⁷ An “Unrestricted” fund balance consists of Committed, Assigned, and Unassigned Fund balances. The District only had an Unassigned Fund balance.

Noncompliance with Board Policy: The District’s board policy states that the District should strive to maintain a General Fund balance of no less than 5 percent of budgeted expenditures. The District was not in compliance with its own policy for each year of the audit period.

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 compelled 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 obtained tax anticipation notes (TANs) of \$8.7 million during the audit period.⁸ If the District’s General Fund balance was meeting GFOA best practice guidelines, the issuance of TANs may have been avoided. Even with the issuance of the TANs, the District was unable to meet its anticipated expenses. For example, the District was unable to make its payments to the Internal Revenue Service for its employers’ share of social security taxes on time for a portion of the 2018 calendar year resulting in additional costs to the District in the form of interest and penalties of \$14,512.⁹

If the District’s fund balance remains low, the District is in danger of being placed on *financial watch status* by the Pennsylvania Department of Education (PDE).¹⁰ Financial watch status is a precursor to being placed in *financial recovery status* for districts that do not improve financially.¹¹ A district placed in *financial recovery status* loses local control of district operations. In these instances, the District’s Board of School Directors (Board) 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.¹²

Borrowing Required to Stabilize Operating Position

A school district’s operating position is an important indicator of its financial health and is determined by comparing total operating revenues to total operating expenditures. The result of total revenue and other financing sources exceeding total expenditures and other financing uses is

⁸ The District obtained the following TANs: 1) a TAN totaling \$2.2 million in the 2016-17 school year, 2) a TAN for \$1.4 million in the 2017-18 school year, and 3) a TAN for \$2.0 million in the 2018-19 school year. During the 2015-16 school year, the District secured two TANs totaling \$3.1 million.

⁹ Each employer must file the Form 941 no later than one month following the end of each quarter. The District did not make timely payments to the IRS during the 2nd, 3rd, and 4th quarters of 2018.

¹⁰ 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”).

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

¹² 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]).

a surplus. Table No. 2 below shows that the District’s cumulative total revenue exceeded total operating expenditures by over \$5 million, which is a positive financial indicator. However, the District’s actual surplus was less than \$2 million due to significant other financing uses during the audit period.

Table No. 2

Carbondale Area School District General Fund Operating Position¹³					
	(A)	(B)	(C)	(D)	(E)
Fiscal Year Ended June 30	Total Revenue	Total Operating Expenditures	Operating Surplus/(Deficit) (A-B)	Net Other Financing Sources/(Uses)	Total Surplus/(Deficit) (C+D)
2016	\$ 23,861,952	\$ 22,888,094	\$ 973,858	(\$ 758,922)	\$ 214,936
2017	\$ 26,539,905	\$ 23,923,560	\$2,616,345	(\$2,211,366)	\$ 404,979
2018	\$ 24,381,321	\$ 25,523,279	(\$1,141,958)	(\$2,183,009)	(\$3,324,967)
2019	\$ 25,324,016	\$ 25,159,335	\$ 164,681	(\$ 219,243)	(\$ 54,562)
2020	\$ 26,341,345	\$ 23,606,612	\$2,734,733	\$1,992,891	\$4,727,624
Total:	\$126,448,539	\$121,100,880	\$5,347,659	(\$3,379,649)	\$1,968,010

The District’s total operating expenditures increased by only \$718,518 from fiscal year end 2016 to 2020. This nominal increase can be attributed to the District’s actions to stabilize instructional expenditures, which accounted for at least 72 percent of total operating expenditures in each year of the audit period.

The District’s two main revenue sources are local revenues and Commonwealth subsidies. In the 2019-20 fiscal year, 59 percent of the District’s total revenues were from the Commonwealth subsidies. Local revenues, primarily generated from property taxes, were 35 percent of the District’s total revenue in that same year.¹⁴ The District increased property taxes each of the five years of our review resulting in a total increase equal to 15.6 percent from the 2015-16 fiscal year to the 2019-20 fiscal year.¹⁵

Transfers from General Fund to Debt Service Fund

In addition to the General Fund, the District has other Governmental Fund Types, including the Debt Service Fund.¹⁶ As illustrated in Table No. 2, the District experienced operating surpluses in four of the five fiscal years. However, as shown in Table No. 3, the other financing uses, or transfers out of the General Fund to cover debt service payments, significantly reduced the surplus amounts.

¹³ This information was obtained from the District’s Independent Auditor’s Report, Statement of Revenue, Expenditures, and Changes in Fund Balance for the fiscal years ending 2016 through 2020. We did not perform procedures to verify the accuracy of the amounts presented.

¹⁴ Federal revenue comprised 6 percent of the total revenues in the 2019-20 fiscal year.

¹⁵ The District total revenue for the 2016-17 school year was the highest of the audit period and can be attributed to the receipt of \$2.1 million for retroactive subsidy due for the Commonwealth’s portion of rental and sinking fund payments.

¹⁶ Accounts for the accumulation of resources and sources for and payment of general long-term debt principal and interest.

Almost all of the District’s “other financing uses”, shown in Table No. 2, were transfers from the General Fund to the Debt Service Fund. The transfers were necessary to ensure sufficient funds were available for debt service payments. The District transferred a net of \$3,379,649 from its General Fund to other funds within the District (other financing uses). A summary of the District’s fund transfers is illustrated in Table No. 3.

Table No. 3

Carbondale Area School District General Fund Transfers						
	Fiscal Year Ended June 30,					
	2016	2017	2018	2019	2020	Totals
Transfers (Out) of General Fund						
To: Debt Service	(\$2,001,104)	(\$2,206,275)	(\$2,180,362)	(\$1,412,962)	(\$1,948,434)	(\$9,749,137)
To: Food Service	(\$7,818)	(\$5,091)	(\$2,647)	(\$853)	-	(\$16,409)
Transfers In to General Fund						
Proceeds from the Issuance of Bonds/Notes	\$1,250,000	-	-	-	\$3,941,325	\$5,191,325
Proceeds generated by the restructuring of debt	-	-	-	\$1,000,790	-	\$1,000,790
From: Sale of Fixed Assets	-	-	-	\$193,782	-	\$193,782
Net Transfer	(\$758,922)	(\$2,211,366)	(\$2,183,009)	(\$219,243)	\$1,992,891	(\$3,379,649)

As shown in the table above, while the District generated almost \$6.1 million from new borrowing and restructuring existing debt, it transferred nearly \$10 million from its General Fund to the Debt Service Fund, resulting in a revenue gap of almost \$3.4 million. Essentially, the District was meeting operational expenses and maintaining a General Fund balance by new borrowing and restructuring outstanding debt. Without the issuance and restructuring of debt, the District would be in an even more precarious financial position; however, this financial strategy is unsustainable because future debt service payments will become too burdensome. The District will need to find ways to generate additional revenue to cover its future debt service payments while building a General Fund balance that will meet GFOA guidelines and the District’s own board policy.

As illustrated in Table No. 4 below, the District made almost \$14 million in debt service payments during the audit period.

Table No. 4

Carbondale Area School District Debt Service Payments			
Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 1,213,027	\$ 862,926	\$ 2,075,953
2017	\$ 1,373,026	\$ 903,244	\$ 2,276,270
2018	\$ 1,393,027	\$ 885,418	\$ 2,278,445
2019	\$ 4,316,844	\$ 861,567	\$ 5,178,411
2020	\$ 1,009,794	\$ 1,060,112	\$ 2,069,906
Total	\$ 9,305,718	\$ 4,573,267	\$13,878,985

The need to borrow funds to cover operating costs resulted in the District expending almost \$4.6 million in interest payments as shown in Table No. 4 above. The District's total debt service payment for 2020 was \$2 million and as shown in Table No. 5 below, the District's debt service payments continue to increase each year over the next five years. The District will need to obtain additional revenues and/or reduce other expenditures to meet these future debt service payments while also increasing its General Fund balance to align with best practices and its own board policy.

Table No. 5

Carbondale Area School District Future Debt Payments			
Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$1,039,936	\$1,139,296	\$ 2,179,232
2022	\$1,373,936	\$1,118,714	\$ 2,492,650
2023	\$1,635,078	\$1,090,318	\$ 2,725,396
2024	\$2,086,521	\$1,060,948	\$ 3,147,505
2025	\$2,127,520	\$1,028,270	\$ 3,155,790
Total	\$8,262,991	\$5,437,546	\$13,700,573

The District's projected yearly debt service payments for future years call into question the District's ability to meet obligations. The questions concerning the District's long-term viability will continue unless it is able to implement a strategic plan that will provide the means to reach an adequate General Fund balance while meeting debt obligations.

Increasing borrowing costs puts the District in a perpetual negative financial cycle, whereby the District may be unable to fund operations without continued borrowing and borrowing leads to future interest expenses. The District's bond rating was modified from BBB+ to BB during the audit period. This rating downgrade indicates that the District is

becoming more of a high-risk borrower and will lead to higher costs if the District is forced to continue borrowing.

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 overspent its budget in four of the five years reviewed and, therefore, the District did not comply with the PSC.

We found that the District’s special education costs and building repairs, which can be difficult to adequately budget for, were the primary reasons expenditures exceeded budgeted amounts. Table No. 6 provides the budget to actual expenditures for the audit period.

Table No. 6

Carbondale Area School District General Fund Total Expenditures Budget to Actual Comparison			
Fiscal Year Ended June 30	Actual Expenditures	Budgeted Expenditures	(Under)Over Budget
2016	\$22,888,094	\$21,861,185	(\$1,026,909)
2017	\$23,923,560	\$22,506,733	(\$1,416,827)
2018	\$25,523,279	\$23,605,346	(\$1,917,933)
2019	\$25,159,335	\$24,147,800	(\$1,011,535)
2020	\$23,606,612	\$23,963,933	\$ 357,321
Total	\$121,100,880	\$116,084,997	(\$5,015,883)

It is important for the District to budget expenditures as accurately as possible since this has a direct effect on the budgeted General Fund balance. The budgeted General Fund balance is integral to the discussion of millage rate modifications and operational changes; therefore, it is essential that the budgeted expenditure amounts are as accurate as possible.

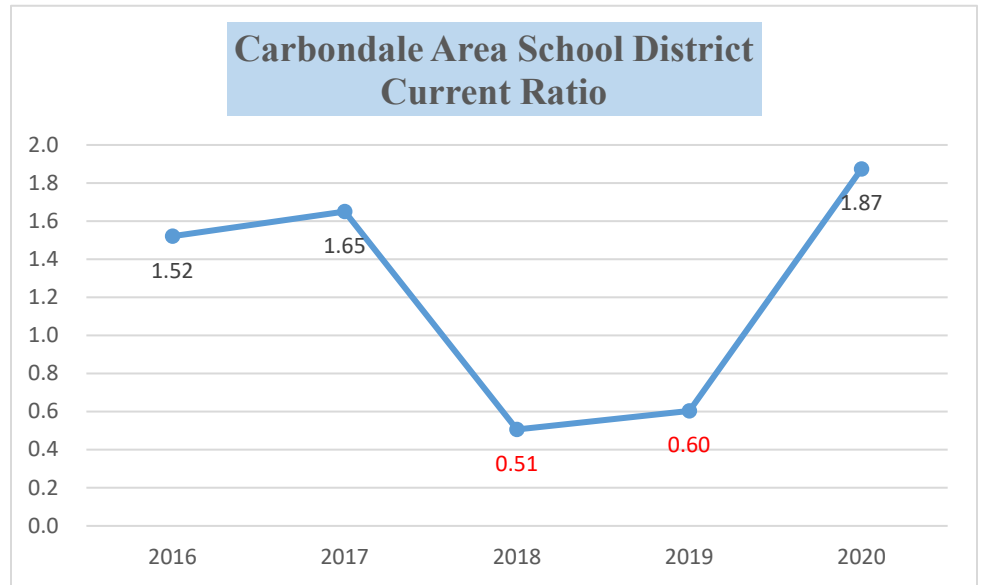
Low Current Ratio

The District’s current ratio—current assets divided by current liabilities—significantly declined during our audit period. According to best business practices, a current ratio below 2 is considered weak. A current ratio under 1 is especially troubling because that means liabilities exceed assets.

The District’s current ratio was 1.52 at the beginning of the 2015-16 fiscal year but fell below 1.0 before rising to 1.87 as of the 2019-20 fiscal year end. As previously discussed, the District borrowed \$4 million in the

2019-20 fiscal year which resulted in an inflated current ratio for that year. Without this cash influx, the current ratio would have remained under 1. The low current ratio, which is indicative of dwindling available resources, led to: 1) the District issuing Tax Anticipation Notes (TAN) to assist with cash flow demands, and 2) the District's failure to timely pay its share of social security taxes. Both of these actions are good examples of the importance of maintaining a current ratio above 2. The following chart illustrates the District's current ratio over the four-year audit period.

Chart No. 2



Conclusion

In summary, we found that the District is in a perilous financial position. At no time during the audit period was the District's General Fund balance close to meeting its own policy minimums or GFOA's best practices. Despite total revenue exceeding total expenditures during the audit period, the District was unable to increase its General Fund balance due to transfers from the General Fund to the District's Debt Service Fund. The District's future debt service obligations are a significant annual expense and in order to ensure a secure financial future, the District must develop a budget that not only allows it to meet its debt obligations but leads to increases in its General Fund balance. Otherwise, the District is at risk of being placed on financial watch status and losing local control of District operations.

Recommendations

The *Carbondale Area School District* should:

1. Prepare a multi-year budget that ensures revenue and other financing sources to exceed operating expenditures and financing uses by an amount that is significant enough to increase the General Fund balance to meet GFOA best practices and comply with District policy.
2. Monitor the approved General Fund budget by comparing actual revenue and expenditures to budgeted amounts and to report to the Board any expenditure overruns or revenue shortfalls on a monthly basis to allow the Board to make necessary adjustments to the budget, as needed.

Management Response

District management provided the following response:

“The District concurs with the Commonwealth of Pennsylvania Department of the Auditor General’s finding of a deteriorating financial position as from July 1, 2016 thru June 30, 2020. However, the District has reversed its negative financial position or fund balance to a positive one at the end of the audit cycle and to a further surplus at June 30, 2021 to \$4.5 million. As outlined in the yearly annual audited released financial statements, the reasons for the deterioration of its financial position were beyond the control of the District. The District has maintained that due to serious underfunding as many other similar districts have stated particularly as a socially economically disadvantaged School District, have contributed greatly to the deficit. Governor Wolf’s most recent budget presentation would definitely assist the District with \$3 million in additional state funding along with the Federal Coronavirus Elementary and Secondary School Emergency Relief funds (ESSER) funding over the last few years.

“As one of the most socially economically disadvantaged School Districts in the Commonwealth with among the highest increasing Special Education populations in Northeastern Pennsylvania, and, most likely among the highest in the Commonwealth of Pennsylvania, cost containment has been difficult. The District spoke of this in numerous articles in the local newspaper explaining the impact of rising Special education costs. The District has a brick and mortar charter school and incurs high charter school costs of nearly \$20 million since 2010-11 school year, which along with the elimination of the Charter school subsidy in which School Districts received 30% of their charter school costs contributed to the financial condition of the District. The District has started its own cyber program to contain and to avoid higher costs. Projecting Special Education and Charter school costs remain challenging along with the Districts inability to raise taxes to cover those costs due to

stagnant and declining tax base and a collection percentage of real estate taxes far below the average of 90% in most Pennsylvania School Districts. In addition, the District currently has in excess of \$1.1 million of uncollected School taxes. The District, during the course of the audit cycle or thereabouts, hired Portnoff Law associates to aggressively collect delinquent property taxes.

“Aware of its financial condition, the District in 2019 did directly ask the Pennsylvania Department of Education (PDE) for direct and any indirect intervention they could assist with including any additional funding that was provided to other school districts. PDE was able to provide a consulting group Public Financial Management (PFM) to assist with the District’s finances in cost containment and budgeting and provided some Special education counseling services to assist in ever increasing costs. No direct financial assistance was able to be provided.

“Tax Anticipation Notes (TANs) were obtained and repaid under state guidelines and the Local Governmental Unit Debt Act to finance operations prior to tax revenue being collected as many Districts and Local Government agencies have to do for cash flow purposes. The District used these (TANS) at points in the audit cycle where the fund balance was positive. However, the District does concur with the Auditor General that continued use of this practice and borrowing to fund operations is not a best practice but under the circumstances, the District had no other options. The District chose to pay all contractual obligations to its over 150 employees and over a few quarters of the audit period and certain payroll taxes were paid late resulting in \$14,512 in interest payments. This could not be avoided given the cash flow position of the District. The District met with the Internal Revenue Service (IRS) and the Service allowed the District to make payments to bring the District current with its payroll tax obligations by early 2019 and the District avoided far more serious penalties, interest, late payment and filing fees which would have had a serious financial impact further on the District. Payments to the refunding bond escrow agent in 2018-19 of \$3.6 million caused the Principal payment table, on page 6 of the report, to be \$4.316 million. This is a requirement of Governmental Accounting Standards as reported in the Statement of Revenues, Expenditures and Changes in Fund balance in its June 30, 2019 released audit report. And, as listed on pages 4 and 5, under Generally Accepted Governmental Accounting Principles, all Debt service payments are treated as they made from the Debt Service Fund.

“The principal and interest payments were for Qualified School Construction Bonds (QSCB) issued in 2010 of \$15 million to finance renovations to the 1975 Jr-Sr High School. The District also had \$3.4 million of GO Notes for the addition to the Carbondale Area Elementary school. The District did not expend \$4.6 million in interest payments to cover just operating costs. The District did however borrow \$4 million approved by Lackawanna County Court, which has to be paid back with interest in under a decade to help cover operating costs. That

issue is being refinanced from an average interest rate of over 4% down to 2.2% to take advantage of market conditions. \$500,000 of the general obligation notes issued in 2019 were to match an existing matching \$500,000 Redevelopment Assistance Capital Program (RACP) to make roof repairs at the Carbondale Area Elementary School.”

Auditor Conclusion

We are pleased that the District maintained a positive fund balance of more than \$4.5 million as of June 30, 2021. This fund balance exceeds best practices as recommended by GFOA and District Policy. We acknowledge the District’s actions to address the charter school costs and outstanding tax collections. The District should continue to implement corrective actions to allow for the maintenance of the current fund balance while paying down its debt. We understand that the District is relying on additional state and Federal funding to assist with increasing its financial position; however, we encourage the District to promptly implement our recommendations to continue on the path of financial stability so as not to be dependent on funding that, at this time, has not been approved for distribution. We will determine the effectiveness of the District’s future corrective actions during our next audit of the District.

Finding No. 2

The District Failed to Conduct All Required Fire and Security Drills in Accordance with the Public School Code

Criteria relevant to the finding:

Section 1517(a) of the PSC requires:

“Except as provided under subsection (a.1), in all school buildings of school entities where fire-escapes, appliances for the extinguishment of fires, or proper and sufficient exits in case of fire or panic, either or all, are required by law to be maintained, fire drills shall be periodically conducted, **not less than one a month**, by the teacher or teachers in charge, under rules and regulations to be promulgated by the chief school administrator under whose supervision such school entities are. In such fire drills, the pupils and teachers shall be instructed in, and made thoroughly familiar with, the use of the fire-escapes, appliances and exits.

The drill shall include the actual use thereof, and **the complete removal of the pupils and teachers**, in an expeditious and orderly manner, by means of fire-escapes and exits, from the building to a place of safety on the grounds outside.” (Emphases added.) See 24 P.S. § 15-1517(a) (as amended by Act 55 of 2017, effective November 6, 2017).

Our review of the District’s fire and security drill data found that the District failed to conduct the required **fire and security drills** in the 2018-19 school year, as required by the PSC.¹⁷ Furthermore, we found that the District inaccurately reported drill data to PDE in the 2018-19 and 2019-20 school years. Consequently, the District’s Superintendent inappropriately attested to the accuracy of the drill data in the PDE required report and certification statement.

Fire and Security Drill Requirements

As detailed in the criteria box, the PSC requires that each school building perform a fire drill each and every month while school is in session. The PSC further mandates that each school also conduct a security drill within the first 90 days of the school year. According to the PSC, districts are permitted to substitute a maximum of two additional security drills in place of two monthly fire drills after the first 90 days of the school year. In addition, both fire and security drill data must be reported annually to PDE through the *Fire Evacuation and Security Drill Accuracy Certification Statement* (ACS) report.

In an effort to help prepare students and staff for potential emergency situations, the mandatory fire and security drill requirements of the PSC should be closely followed by all school entities across the Commonwealth. To determine compliance with drill requirements, we requested and reviewed the 2018-19 and 2019-20 fire and security drill data reported to PDE for the District’s two school buildings, along with supporting documentation to evidence the reported drills. We reviewed the months of September 2018 through May 2019 and September 2019 through February 2020 since drills are required to be conducted with students and staff present.¹⁸

Fire and Security Drill Weaknesses

Our review disclosed that the District’s two school buildings failed to comply with all fire and security drill requirements for the 2018-19 school year and also failed to correctly report all drill data to PDE for both the 2018-19 and 2019-20 school years. Additionally, the District lacked detailed documentation at both school buildings to support all drills reportedly performed.

¹⁷ 24 P.S. § 15-1517(a) (as amended by Act 55 of 2017, effective November 6, 2017).

¹⁸ Drills were not required for March, April, and May 2020 due to the mandatory, statewide closing of schools because of the COVID-19 pandemic.

*Criteria relevant to the finding
(continued):*

Section 1517(a.1) of the PSC requires:

“Within ninety (90) days of the commencement of the school year after the effective date of this subsection and within ninety (90) days of the commencement of each school year thereafter, each school entity shall conduct one school security drill per school year in each school building in place of a fire drill required under subsection (a). After ninety (90) days from the commencement of each school year, each school entity may conduct two school security drills per school year in each school building in place of two fire drills required under subsection (a).” *See* 24 P.S. § 15-1517(a.1) (as last amended by Act 39 of 2018, effective July 1, 2018).

Further, Sections 1517(b) and (e) of the PSC also require:

“(b) Chief school administrators are hereby required to see that the provisions of this section are faithfully carried out in the school entities over which they have charge.”

“(e) On or before the tenth day of April of each year, each chief school administrator shall certify to the Department of Education that the emergency evacuation drills and school security drills herein required have been conducted in accordance with this section.” *See* 24 P.S. § 15-1517(b) and (e) (Act 55 of 2017, effective November 6, 2017).

Missed and Inaccurately Reported Security Drills

Our review revealed that both of the District’s school buildings failed to conduct a security drill within the first 90 days of the start of the 2018-19 school year, as required by PDE. While security drills were timely performed at the beginning of the 2019-20 school year, one school building inaccurately recorded the drill date on its ACS report filed with PDE.

District officials explained that the District did not timely conduct the required security drill in the 2018-19 school year because it was a new requirement that the District was unaware of.

Missed and Inaccurately Reported Fire Drills

We found that both of the District’s school buildings failed to conduct monthly fire drills from November through February in the 2018-19 school year. Further, during the 2019-20 school year, one school building inaccurately recorded the fire drill date on its ACS report filed with PDE.

District officials indicated that personnel misunderstood the monthly fire drill requirement and thought that it could make-up missed drills by conducting multiple drills in other months.

Lack of Standard Reporting Procedures and Drill Documentation

We found a lack of uniform, district-wide procedures, and reporting of drills conducted. Specifically, the District did not maintain adequate and detailed building-level drill documentation. For example, there was a lack of detail and uniformity in documenting drills and their after-action results between the two school years. Developing uniform procedures to report and document drills will assist the District in ensuring compliance with all drill requirements and the accurate reporting of drill data. Failure to submit accurate and supported drill data calls into question the veracity of the District’s ACS submission to PDE.

The PSC requires the chief school administrator to ensure that all requirements of Section 1517 of the PSC are “faithfully carried out in the schools over which they have charge.”¹⁹

The District experienced turnover in key leadership positions, which contributed to the documentation issues and inaccurate reporting.

¹⁹ 24 P.S. § 15-1517(b).

Criteria relevant to the finding (continued):

Fire Drill Accuracy Certification Statements must be electronically submitted to PDE by July 31 following the end of a school year. Within two weeks of the electronic PIMS submission, a printed, signed original must be sent to PDE's Office for Safe Schools.

The 2018-19 and 2019-20 *Fire Evacuation and Security Drill Accuracy Certification Statement* that the chief school administrator was required to sign and file with PDE states, in part:

"I acknowledge that 24 PS 15-1517 requires that... fire drills shall be periodically conducted, not less than one a month...under rules and regulations to be promulgated by the district superintendent under whose supervision such schools are... District superintendents are hereby required to see that the provisions of this section are faithfully carried out in the schools over which they have charge. I certify that drills were conducted in accordance with 24 PS 15-1517 and that information provided on the files and summarized on the above School Safety Report is correct and true to the best of my knowledge"

Conclusion

In conclusion, it is vitally important that the District's students and staff regularly participate in fire and security drills throughout the school year as required by the PSC. Building-level documentation should be maintained to support that all required drills actually occurred. Further, it is essential that the District accurately report fire and security drill data to PDE pursuant to its reporting requirements and guidance, and that the data has been double-checked for accuracy by properly trained and knowledgeable personnel.

Recommendations

The *Carbondale Area School District* should:

1. Conduct security and fire drills in compliance with the PSC requirements for all future school years.
2. Establish district-wide procedures to maintain detailed documentation of every fire and school security drill conducted at each school building in order to accurately report annual data to PDE.
3. Require building principals and other senior administrative personnel to review drill data for completeness and accuracy before submitting the ACS report to PDE.
4. Ensure all personnel responsible for completing and submitting ACS reports are properly trained and knowledgeable of PDE's reporting requirements and guidance, and that the chief school administrator is aware of his/her fire and security drill obligations and certification statement requirements.

Management Response

District management provided the following response:

"The District agrees with the Safe Schools finding due to newly created school police officer positions. Being new to the positions, the school police officers were not familiar with PDE timetables in respect to the timing of the drills for both fire and active shooter trainings. The District did complete the requisite number of fire drills in both years; however, they were not completed in the time frame set forth per PDE guidelines

"The former Chief School Administrator and newly hired school police officers attempted to execute the newly passed School Safety Bill and were unable to conduct the drills in the specific time frame.

CORRECTIVE ACTION:

“The current Superintendent of Schools has attended both NEPA Safe Schools Network Meetings offered by the Northeastern Educational Intermediate Unit 19 and is certified as a Safe Crisis Management Instructor which is renewed yearly through JKM Training, Inc. She has also received an AWR 148 Crisis Management for School-based Incidents certification from Rural Domestic Preparedness Consortium and received training on Point of Dispensing (POD) Management through Cocciardi and Associates, Inc.

“While the District has been unable to fulfil the school police officer positions, administration has taken on the operation and management of school safety. Administration is aware of the requirements of Act 44 of 2018 and implemented an action plan to address requirements. The District’s Emergency Operation Plan, additionally, received an overhaul in summer 2021. Thus far this school year (2021-2022), staff have been provided professional development in the following school safety categories: social-emotional learning, trauma-informed, emergency operation plans, security drills, resiliency, Phonological Awareness Skills Screener (PASS), and threat assessment.”

Auditor Conclusion

We are pleased that the District has begun implementing corrective actions based on our audit recommendations. We believe that implementing our recommendations will help the District ensure that all safety drills are held in compliance with PDE requirements and accurately reported to PDE. We will review the District’s corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Carbondale Area School District (District) released on June 16, 2016, 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 each status section below.

Auditor General Performance Audit Report Released on June 16, 2016

Prior Finding: **The District's General Fund Balance Decreased by Over \$5.9 Million from June 30, 2011 through June 30, 2015**

Prior Finding Summary: In order to assess the District's financial stability, we reviewed 22 financial benchmarks to evaluate changes in its financial position over a period of five years from fiscal year ending June 30, 2011 through fiscal year ending June 30, 2015. Three benchmarks reviewed indicated potential financial issues for the District.

Prior Recommendations: We recommended that the District should:

1. Implement a multi-year plan (recommended 3-5) that is evaluated annually and adjusted accordingly to the most current actual revenue and expenditure data to reverse the historical trend of expenditures exceeding revenues.
2. In addition to an overall multi-year plan, develop a multi-year general fund plan, using historical data, to determine actual facility needs before making any future building purchases.
3. Implement written balanced budgeting procedures to better address and plan for projected future costs. These procedures should address, but not limited to, unfunded special education mandated costs and reduction of charter school funding.
4. Ensure funding is available to absorb the cost of large expenditures, including buildings, prior to approving such expenses.
5. Develop a policy to include criteria for tuition to be waived for nonresident students (ex. children of teachers and administrators).

Current Status: The District implemented our first recommendation. The Pennsylvania Department of Education provided the District with a financial consulting group, which in December 2020, assisted with recommendations on cost containment, budgeting, and provided some special education financial counseling services. The District did not implement our other four recommendations. In December 2020, the financial consulting group provided by PDE also recommended that the District should develop a multi-year capital plan that identifies all of its facility needs and plan for funding all or a portion

of those investments. The District's financial stability again resulted in a finding in our current audit (see page 7).

Appendix A: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,²⁰ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Financial Stability, Transportation Operations, Bus Driver Requirements, Nonresident Student Data, Administrator Separations, and School Safety, including fire and security drills. The audit objectives supporting these areas of focus are explained in the context of our methodology to achieve the objectives in the next section. Overall, our audit covered the period July 1, 2016 through June 30, 2020. The scope of each individual objective is also detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal control to provide reasonable assurance that the District's objectives will be achieved.²¹ *Standards for Internal Control in the Federal Government* (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. The Department of the Auditor General used the Green Book as the internal control analysis framework during the conduct of our audit.²² The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow in establishing an effective system of internal control. We illustrate the five components and their underlying principles in Figure 1 on the following page.

²⁰ 72 P.S. §§ 402 and 403.

²¹ District objectives can be broadly classified into one or more of the following areas: effectiveness of operations; reliability of reporting for internal and external use; and compliance with applicable laws and regulations, more specifically in the District, referring to certain relevant state laws, regulations, contracts, and administrative procedures.

²² Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

Figure 1: Green Book Hierarchical Framework of Internal Control Standards

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

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

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

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

Figure 2 – Internal Control Components and Principles Identified as Significant

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

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

Objectives/Scope/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2016 through June 30, 2020 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report, and we researched current events that possibly affected District operations. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

Financial Stability

- Based on an assessment of financial indicators, the District was 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 2015-16 through 2019-20 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 of Education Statistics. In addition, we reviewed board meeting minutes and interviewed District personnel.

Conclusion: The results of our review of this objective are detailed in Finding No. 1 beginning on page 7 of this audit report.

School Safety

- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding with local law enforcement?²³ Also, did the District follow best practices related to physical building security and providing a safe school environment?
- ✓ To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, safety committee meeting minutes, vulnerability assessments, anti-bullying policies, school climate surveys, after action reports, and memorandums of understanding with local law enforcement to assess whether the District had implemented basic safety practices.

²³ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

Conclusion: Due to the sensitive nature of school safety, the results of our review for this portion of the objective are not described in our audit report, but they were shared with District officials, PDE's Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.²⁴

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?²⁵ Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?
 - ✓ To address this objective, we reviewed the District's fire and security drill documentation to verify compliance with the Public School Code for the 2018-19 and 2019-20 school years. We reviewed documentation to determine if the District conducted a security drill for each building in the District within the first 90 days of each school year and if monthly fire and security drills were conducted while school was in session and in accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation determine if reports were accurate.

Conclusion: The results of our procedures did identify areas of noncompliance related to conducting and reporting fire and security drills to PDE. Our results are detailed in Finding No. 2 beginning on page 18 of this report.

Transportation Operations

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?²⁶
 - ✓ To address this objective, we assessed the District's internal controls for obtaining, inputting, processing, and reporting regular transportation data to PDE. We obtained PDE's Summary of Pupil Transportation Subsidy Reports for the 2016-17 through 2019-20 school years and compared them to the annual transportation summary documents created by the District. We reviewed all 240 vehicles reported to PDE as transporting students during the 2016-17 through 2019-20 school years.²⁷ For each vehicle, we obtained monthly driver mileage sheets, odometer readings, student rosters, school calendars, and invoices to ensure vehicle data was accurately calculated, reported to PDE, and that the District received the correct subsidy.

Conclusion: The results of our procedures did not identify any reportable issues; however, we did identify control deficiencies that were not significant to our objective but warranted the attention of the District. These deficiencies were communicated to District management and those charged with governance for their consideration.

²⁴ Other law enforcement agencies include the Pennsylvania State Police, the Attorney General's Office, and local law enforcement with jurisdiction over the District's school buildings.

²⁵ Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

²⁶ See 24 P.S. § 25-2541(a).

²⁷ There were 61 vehicles reported for the 2016-17 school year, 63 for the 2017-18 school year, 64 for the 2018-19 school year, and 52 for the 2019-20 school year.

Bus Driver Requirements

- Did the District ensure that all bus drivers transporting District students are approved by the Board of School Directors (Board) and had the required driver's license, physical exam, training, background checks, and clearances²⁸ as outlined in applicable laws?²⁹ Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
- ✓ To address this objective, we assessed the District's internal controls for reviewing, maintaining, and monitoring bus driver qualification and clearance documents and its procedures for being aware of who transported students daily. We determined if all drivers were approved by the District's Board. We selected 10 of the 47 contracted drivers transporting District students as of October 28, 2021, and we reviewed documentation to ensure the District complied with the requirements for those bus drivers.³⁰ We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physicals.

Conclusion: The results of our procedures did not disclose any reportable issues, and we did not identify any internal control deficiencies.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?³¹
- ✓ To address this objective, we assessed the District's internal controls for obtaining, inputting, processing, and reporting nonresident membership data to PDE. We obtained documentation to determine if all nine nonresident foster students reported by the District to PDE for the 2017-18 and 2018-19 school years were accurate and that the District received the correct subsidy. We compared the District's student lists of nonresident foster students to the total days reported to PDE. We requested documentation for each nonresident foster student to verify that the custodial parent and/or guardian was not a resident of the District and that the foster parent received a stipend for caring for the student.

Conclusion: The results of our procedures did not disclose any reportable issues, and we did not identify any internal control deficiencies.

Administrator Separations

- Did the District provide any individually contracted employees with excessive payments upon separation of employment? Did the District ensure all payroll wages reported to Public School Employees' Retirement System (PSERS) were appropriate and accurate?

²⁸ 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.

²⁹ PSC 24 P.S. § 1-111, CPSL 23 Pa.C.S. § 6344(a.1), PSC (Educator Discipline) 24 P.S. § 2070.1a *et seq.*, State Vehicle Code 75 Pa.C.S. §§ 1508.1 and 1509, and State Board of Education's regulations 22 Pa. Code Chapter 8.

³⁰ 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.

³¹ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

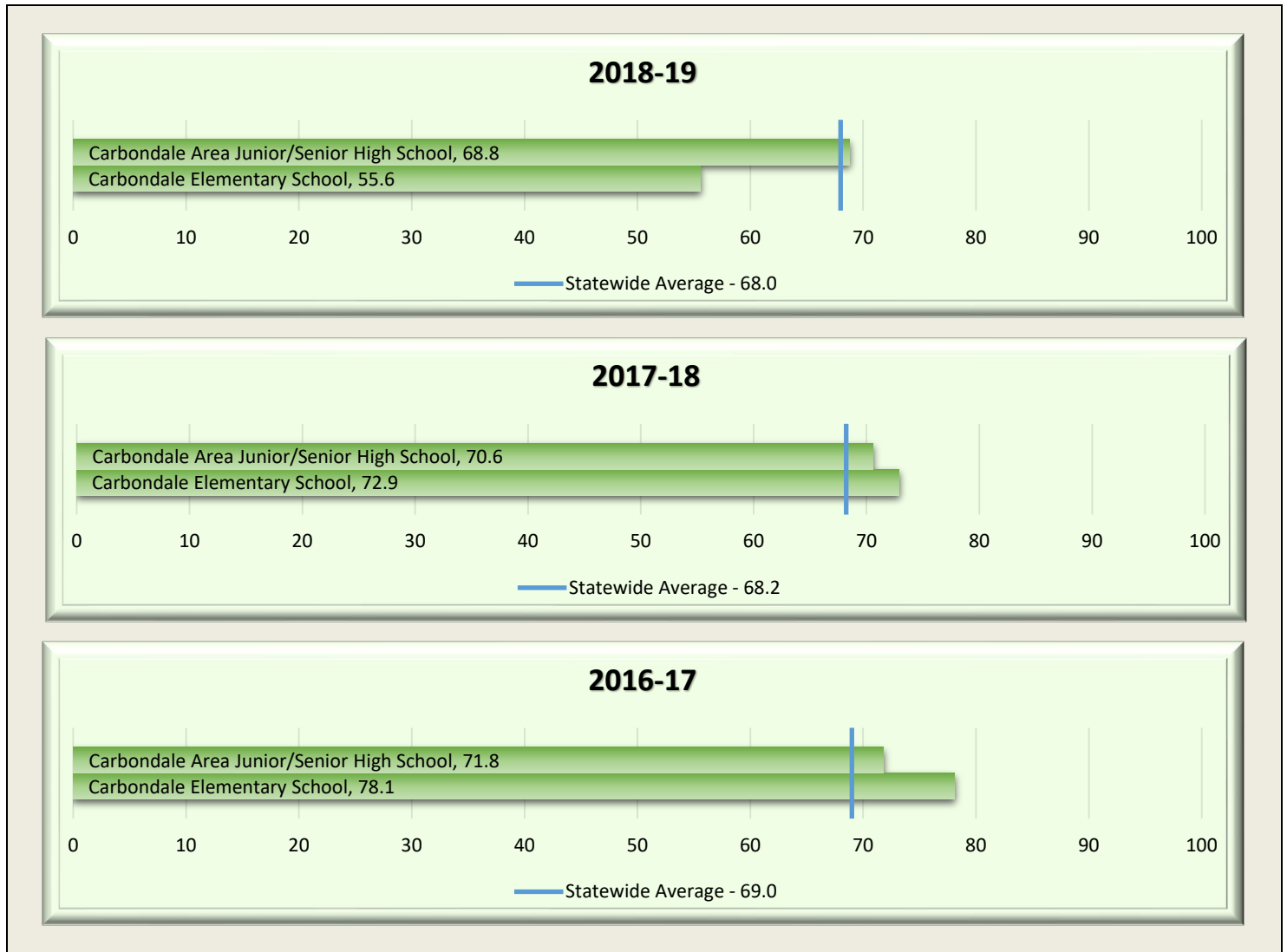
- ✓ To address this objective, we assessed internal controls for calculating, approving, and processing final payouts for administrative separations. We reviewed the contract, separation agreement, and payroll records for the one administrator who separated employment from the District from the period July 1, 2016 through October 18, 2021. We reviewed the contract and agreements to ensure the District and Board complied with provisions of the Public School Code regarding termination, buyout, and severance provisions. We reviewed payroll records to ensure the severance payments were correctly reported to PSERS.

Conclusion: The results of our procedures did not identify any reportable issues. However, we did identify internal control deficiencies that were not significant to our objective, but warranted the attention of the District management and those charged with governance. These deficiencies were communicated to District Management and those charged with governance for their consideration.

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.³² 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.³³

SPP School Scores Compared to Statewide Averages

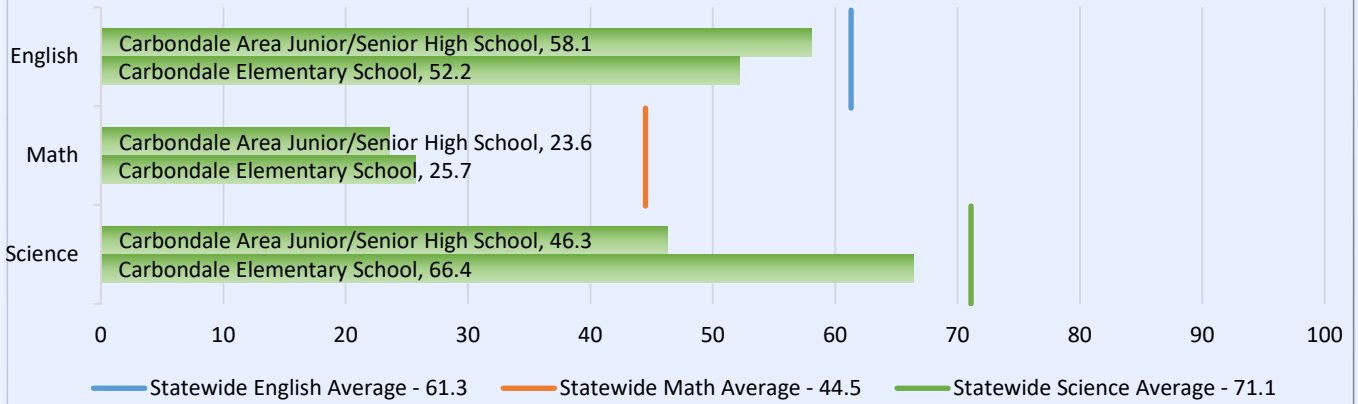


³² Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

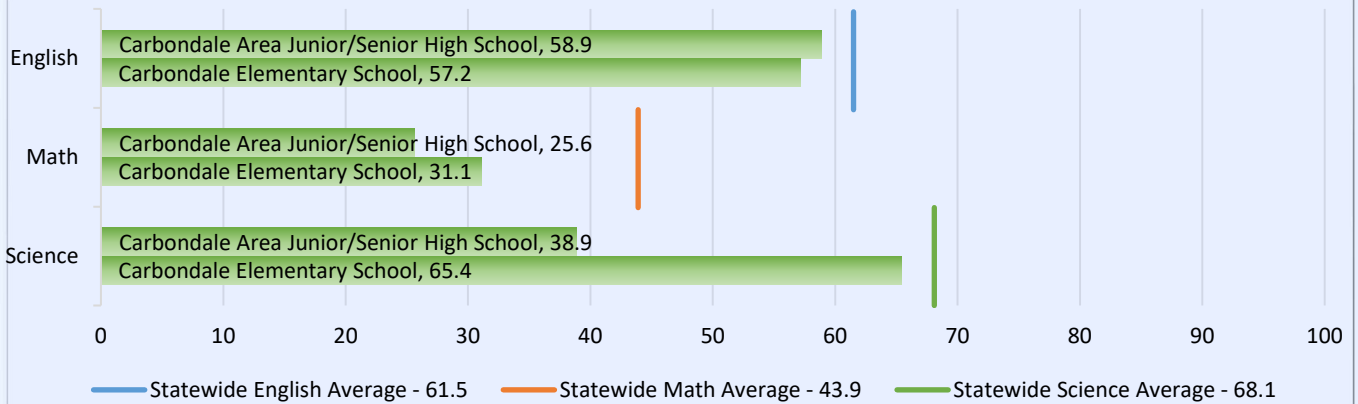
³³ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

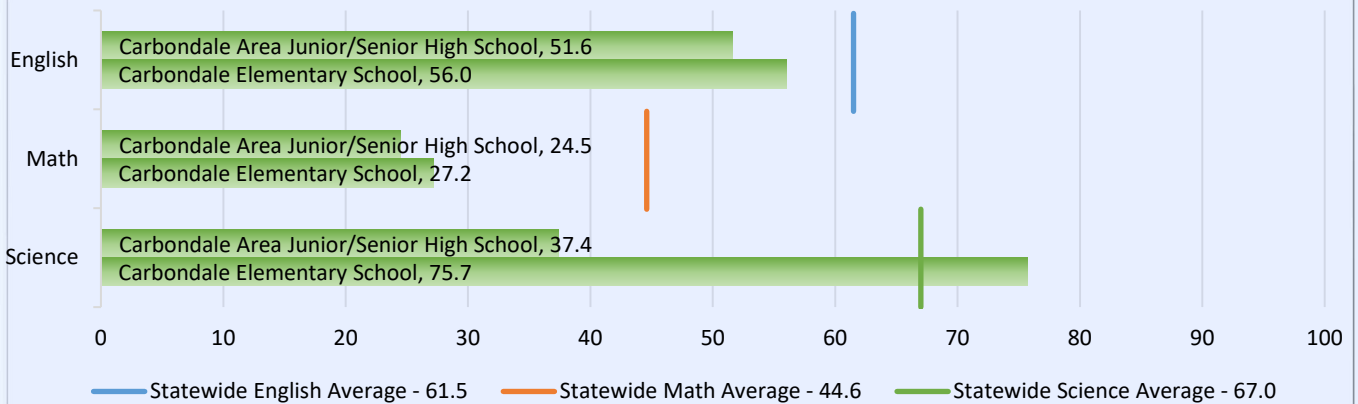
2018-19



2017-18

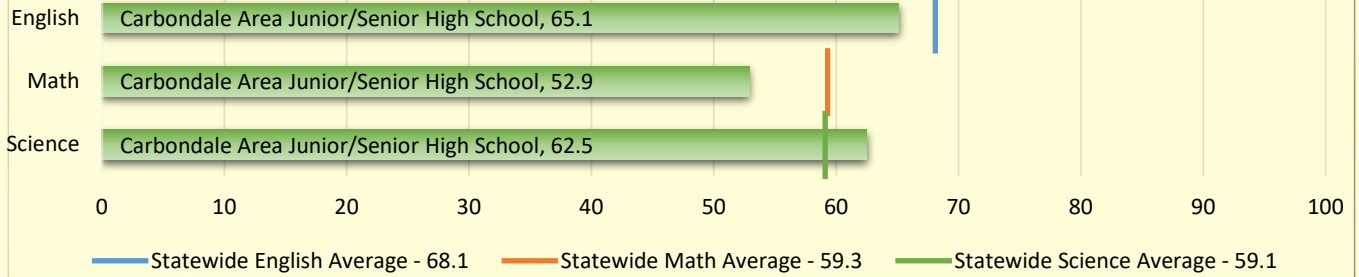


2016-17

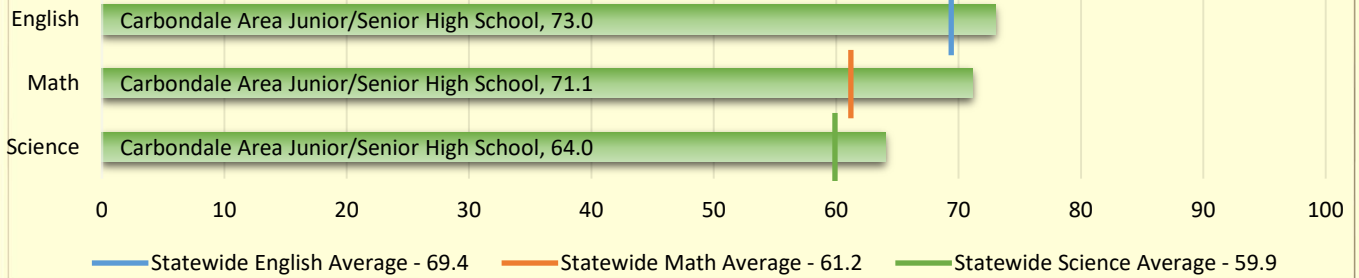


**Keystone Advanced or Proficient Percentage
School Scores Compared to Statewide Averages**

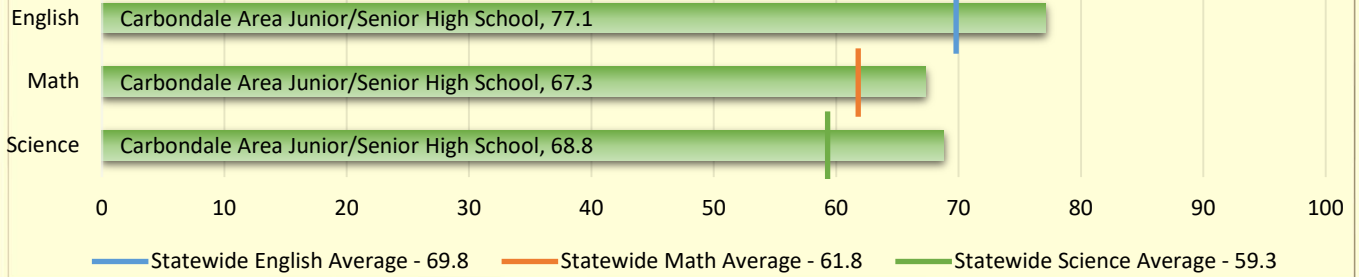
2018-19



2017-18



2016-17



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