

PERFORMANCE AUDIT

Rochester Area School District Beaver County, Pennsylvania

May 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Jane W. Bovalino, Superintendent
Rochester Area School District
540 Reno Street
Rochester, Pennsylvania 15074

Mr. James Long, Board President
Rochester Area School District
540 Reno Street
Rochester, Pennsylvania 15074

Dear Dr. Bovalino and Mr. Long:

We have conducted a performance audit of the Rochester Area School District (District) for the period July 1, 2012, through June 30, 2016, 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 the appendix of this report:

- Transportation Operations
- Conflicts of Interest
- Bus Driver Requirements
- School Safety

The audit was conducted pursuant to Section 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 performed adequately in the areas listed above.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

May 1, 2017

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

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Background Information

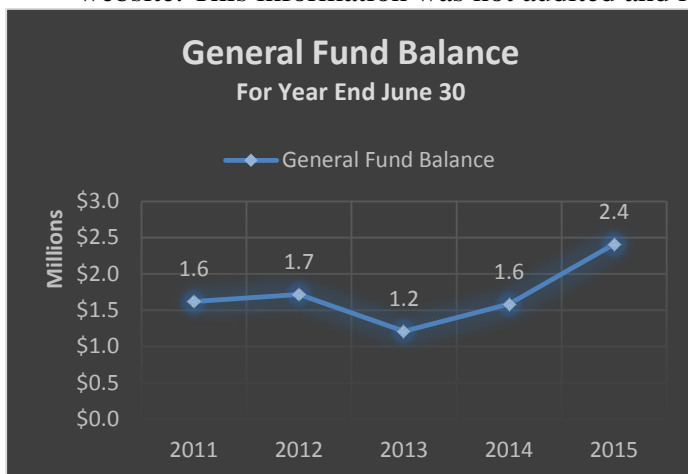
School Characteristics 2015-16 School Year ^A		Mission Statement ^A
County	Beaver	The Rochester Area School District, a K-12 learning community, is committed to developing 21 st century skilled citizens, lifelong learners, and critical thinkers through a rigorous curriculum.
Total Square Miles	5	
Resident Population ^B	8,874	
Number of School Buildings ¹	1	
Total Teachers	70	
Total Full or Part-Time Support Staff	49	
Total Administrators	5	
Total Enrollment for Most Recent School Year	747	
Intermediate Unit Number	27	
District Vo-Tech School	Beaver County Career and Technical Center	

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

B - Source: United States Census <http://www.census.gov/2010census>.

Financial Information

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



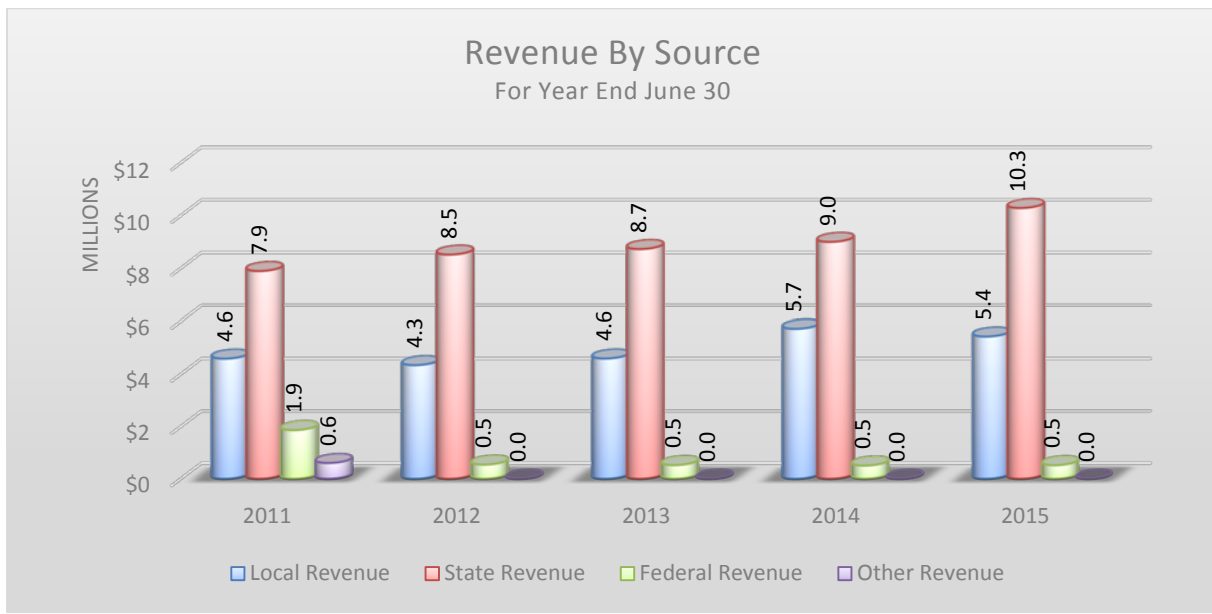
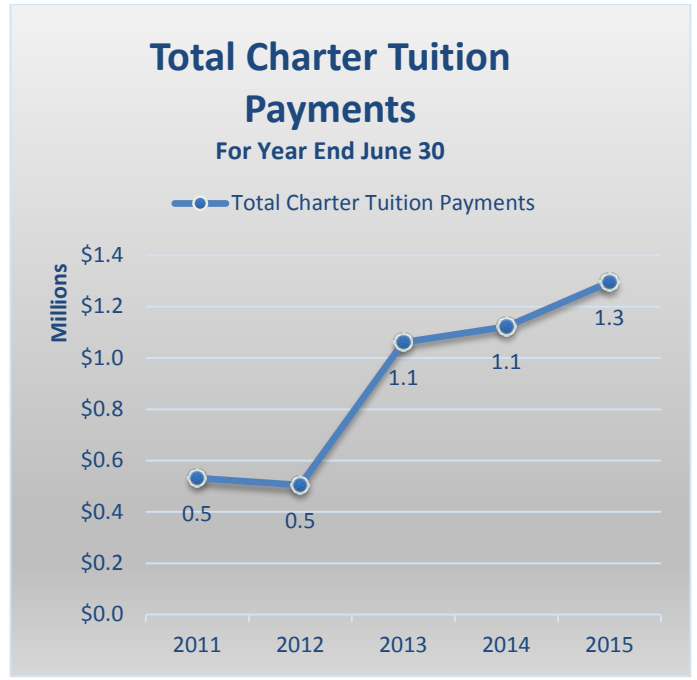
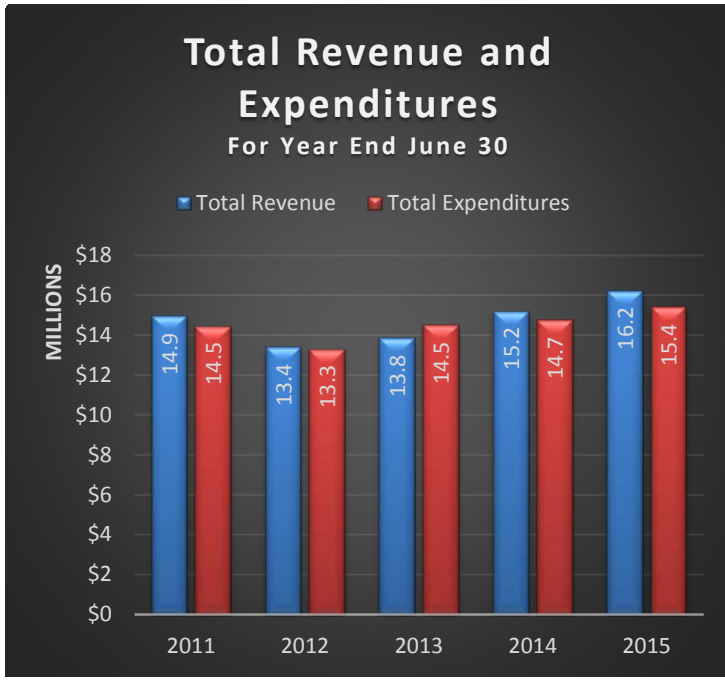
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

¹ The District is housed in one building serving grades K through 12.

Financial Information Continued



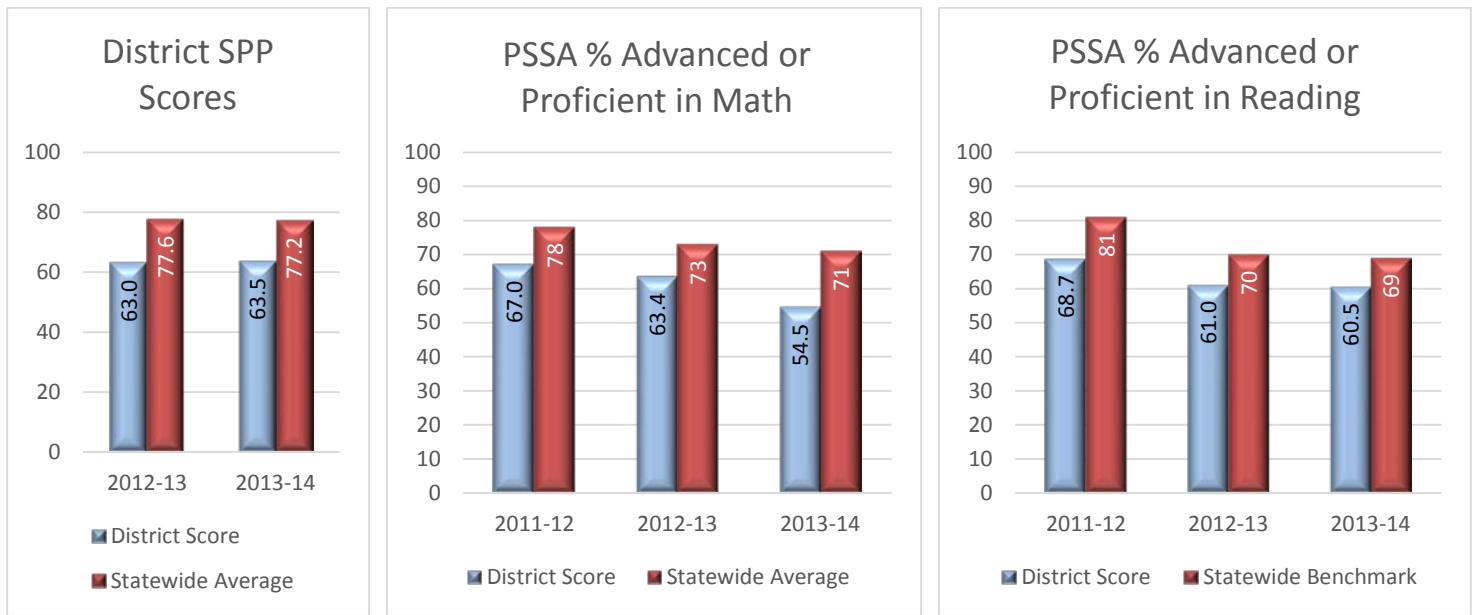
Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.² These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.³ PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.⁴ District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Rochester Area SD</i>	63.0	63.5	67.0	63.4	54.5	68.7	61.0	60.5
<i>SPP Grade⁵</i>	D	D						



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

³ Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

⁴ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁵ The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

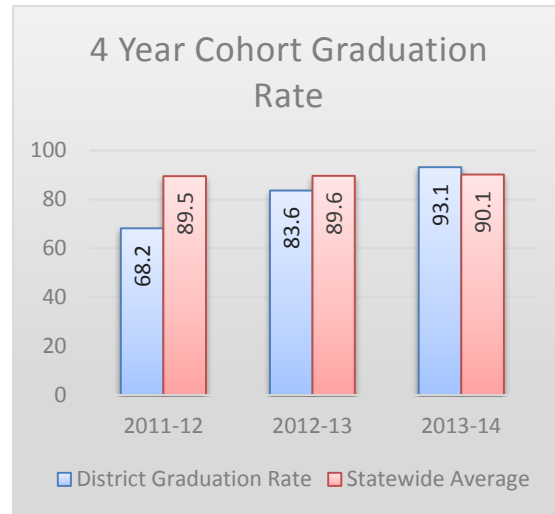
Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District’s school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.⁶

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	<i>77.6</i>	<i>77.2</i>	<i>78</i>	<i>73</i>	<i>71</i>	<i>81</i>	<i>70</i>	<i>69</i>
<i>Rochester Area Elementary School</i>	68.5	64.8	77.8	74.1	62.4	66.9	63.2	56.7
<i>Rochester Area High School</i>	57.4	62.1	56.1	52.7	46.5	70.5	58.9	64.3

4 Year Cohort Graduation Rates

The 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.⁷



⁶ PDE’s data does not provide any further information regarding the reason a score was not published.

⁷ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

Finding(s)

For the audited period, our audit of the District resulted in no findings.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on December 3, 2013, resulted in two findings and one observation, 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 interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on December 3, 2013

Prior Finding No. 1: The District Spent \$146,328 on an Agreement that Prematurely Terminated Its Former Superintendent's Employment

Prior Finding Summary: On June 11, 2012, the District's Board of School Directors (Board) approved an Agreement and General Release of All Claims (Agreement) under which its former Superintendent would retire/resign her position. Our prior review found the premature termination of the former Superintendent's contract and the Board's acceptance of the severance Agreement cost the taxpayers \$146,328.

Prior Recommendations: We recommended that the District should:

1. Ensure that all future employment contracts with prospective administrators contain adequate and prudent termination provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.
2. Ensure that no salary or compensation payments are made to employees without first recording of an affirmative vote of a majority of the Board.
3. Document in the official board meeting minutes, in detail, why the District chooses to expend large amounts of public taxpayer money on ending an administrator contract.

Current Status: The District implemented our prior audit recommendations by specifically revising the contract language for the current Superintendent. The District's current Superintendent contract now includes specific language regarding compensation payment and benefits in the case of early termination of the contract.

Prior Finding No. 2: Violation of Public School Code and a Possible Conflict of Interest

Prior Finding Summary: Our prior audit found that prior to being elected to the Board of the District, one board member’s business was awarded a contract in the amount of \$354,636 for alterations to the indoor swimming pool at the Rochester Area High School. In addition, while serving his term of office he voted to pay his company for work completed.

Prior Recommendations: We recommended that the District should:

1. In conjunction with its solicitor and the State Ethics Commission’s determination, require District administrative personnel to put procedures in place to ensure that board members’ actions are in compliance with the Public School Code, the Ethics Act, and the District’s Board Policy.
2. Establish procedures for ensuring that the District properly scrutinizes all contracts to ensure that it is aware of any potential conflicts of interest.
3. Develop and implement necessary procedures to ensure that Statements of Financial Interests (SFI) are received timely and are properly completed to ensure full disclosure.

Current Status: The board has adopted a new policy that prohibits board members from conducting business with the District. This policy is in accordance with the Principles of Governance and Leadership issued by the Pennsylvania School Boards Association. This policy was adopted by the Board and signed by each individual board member. The District has implemented procedures requiring the Business Manager to review all contracts for potential conflicts of interest. The secretary to the Superintendent has been tasked with the responsibility of reviewing SFIs for timeliness and completeness. We confirmed that that the secretary to the Superintendent is completing these reviews.

Prior Observation: The Rochester Area School District Lacks Sufficient Internal Controls Over Its Student Record Data

Prior Observation Summary:

Our prior review of the District’s data integrity for the 2009-10 school year, found that the District failed to maintain adequate documentation of student registrations and changes made to the original student membership data that was uploaded to PDE’s Pennsylvania Information Management System (PIMS). In addition, the District does not have adequate procedures in place to ensure continuity over

data submissions in the event of a sudden change in personnel or child accounting vendors.

Prior Recommendations: We recommended that the District should:

1. Establish written procedures for maintaining adequate evidence of manual compensating controls (i.e. supporting documentation) to support its student data and any changes that were made after the student data was originally uploaded into PIMS.
2. Conduct annual reconciliations between the District's original student registrations and the data input into the District's student information system to ensure accuracy, completeness, and validity.
3. Adopt adequate written procedures to ensure continuity over the District's PIMS data submission in the event of a sudden change in personnel or the student information system vendor.
4. Conduct periodic reviews of the District's internal controls over its student data, including testing to see whether District staff are properly following its established procedures.

Current Status:

The District has taken steps to strengthen their internal control over its student record data by hiring a Child Accounting Clerk. This individual is responsible for the review and reconciliation of all PIMS data from the District's child accounting software prior to submission to PDE. The Child Accounting Clerk performs monthly reconciliations which are then reviewed by the business manager. The District has also developed written procedures detailing the entry of data into PIMS. These written procedures will ensure the accuracy of PIMS data and continuity of data in the event of a sudden change in personnel.

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, PDE, and other concerned entities.

Our audit, conducted under authority of Section 402 and 403 of The Fiscal Code,⁸ 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, 2012, through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls⁹ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider 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.

⁸ 72 P.S. §§ 402 and 403.

⁹ 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, grant requirements, 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, 2012, through June 30, 2016. 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
- Conflicts of Interest
- 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 establish internal controls to ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁰
 - To address this objective, we evaluated certain internal controls over transportation operations, randomly selected for review 5 buses out of a total of 18 buses utilized by the District's contractor. We reviewed source documentation supporting bus routes, weighted average mileage calculations, and student count for public and nonpublic students to determine if this information was correctly reported to the Commonwealth for reimbursement. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District establish procedures to ensure board members are in compliance with the Public School Code¹¹ and the Public Official and Employee Ethics Act as it relates to conflicts of interest?
 - To address this objective, we examined the SFIs for the 2015 calendar year, for all nine board members serving at that time. We reviewed to determine compliance with the Pennsylvania Public Official and Employee Ethics Act and reviewed board members places of employment and sources of income. We compared their employers and income sources documented on the SFIs to the 2015-16 Vendor List to determine if any payments were made to board members

¹⁰ See 24 P.S. §§ 3-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹¹ See 24 P.S. § 3- 324.

employers. We also determined if the District had written policies and procedures and if those procedures would ensure compliance, when followed, with the Public School Code and the Public Official and Employee Ethics Act. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined in applicable laws?¹² 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 selected the 5 bus drivers hired by the District's bus contractor during the time period August 23, 2016, through February 9, 2017. We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures would ensure compliance, when followed, 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?¹³
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. Due to the sensitive nature of school safety, the results of our review for this objective area are not described in our audit report. The results of our review of school safety are shared with District officials and, if deemed necessary, PDE.

¹² 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*.

¹³ 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:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
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Harrisburg, PA 17126

The Honorable Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

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Mechanicsburg, PA 17050

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.