

PERFORMANCE AUDIT

Lakeview School District Mercer County, Pennsylvania

July 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Douglas Mays, Superintendent
Lakeview School District
2482 Mercer Street
Stoneboro, Pennsylvania 16153

Mr. Scott J. Lewis, Board President
Lakeview School District
2482 Mercer Street
Stoneboro, Pennsylvania 16153

Dear Mr. Mays and Mr. Lewis:

Our performance audit of the Lakeview School District (District) evaluated the application of best practices in the areas of governance, safety, hiring, and bus driver qualifications. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). This audit covered the period December 2, 2011 through February 11, 2015, except as otherwise stated and was conducted pursuant to Section 403 of The Fiscal Code 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 effectively applied best practices in the areas listed above. In addition, we determined that the District complied in all material respects, with relevant requirements.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

July 16, 2015

cc: LAKEVIEW 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 District. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, 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 December 2, 2011 through February 11, 2015, except as otherwise indicated in the audit scope, objectives, and methodology section of the report.

Audit Conclusion and Results

Our audit found that the District complied, in all material respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the District from an audit released on June 5, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to strengthening the District's internal control environment, possible conflicts of interest, certification deficiencies, internal control weaknesses and reporting errors related to pupil transportation documentation, and a failure to have school bus driver qualifications on file (see page 6).

Background Informationⁱ

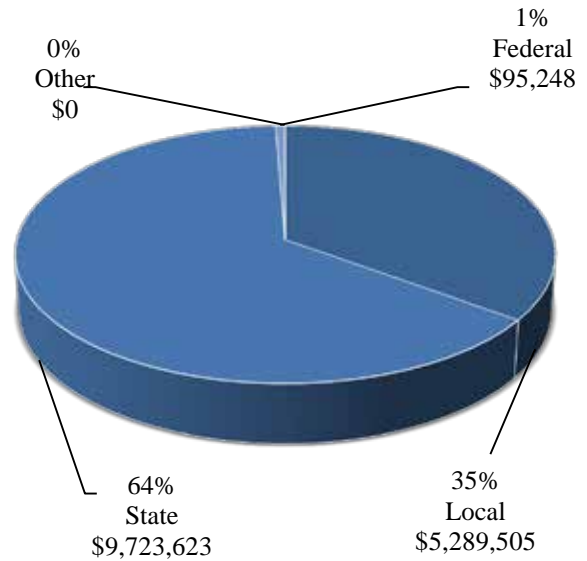
School Characteristics 2014-15 School Year ⁱⁱ	
County	Mercer
Total Square Miles	146
Resident Population ⁱⁱⁱ	8,610
Number of School Buildings	3
Total Teachers	96
Total Full or Part-Time Support Staff	65
Total Administrators	10
Total Enrollment for Most Recent School Year	1,149
Intermediate Unit Number	4
District Vo-Tech School	Mercer County Career Center

Mission Statement

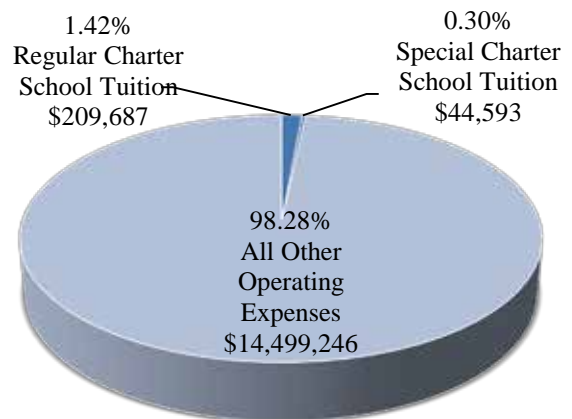
“In partnership with families and the community at large, the Lakeview School District’s mission is to prepare our students to achieve their fullest potential in a global society by providing our students a rigorous and comprehensive education in a safe and stimulating environment committed to excellence.”

Financial Information

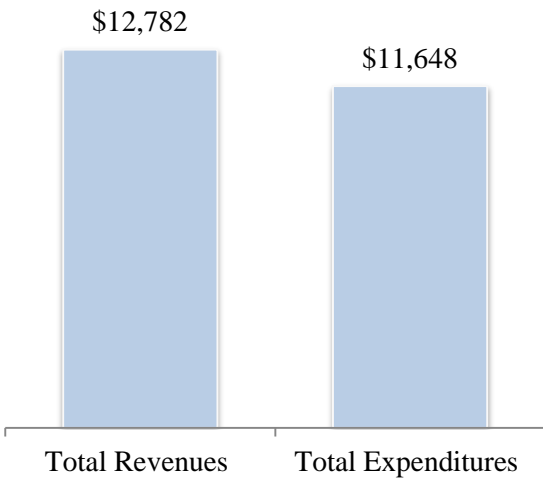
Revenue by Source for
2012-13 School Year



Select Expenditures for
2012-13 School Year

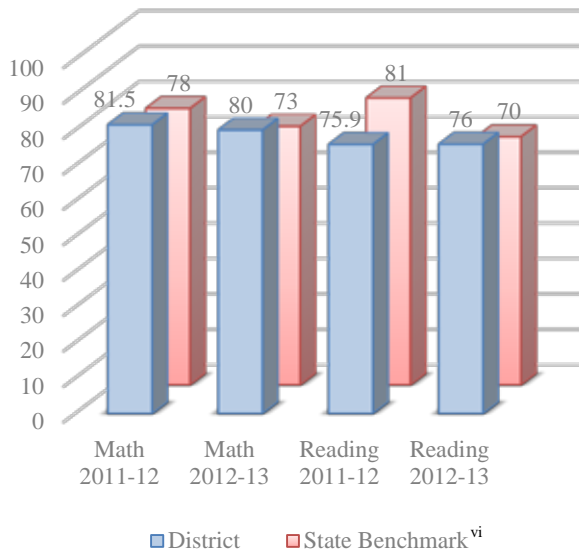


**Dollars Per Student
2012-13 School Year**



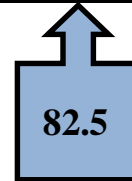
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{iv v}



District's 2012-13 SPP Score^{vii}

A	B	C	D	F
90-100	80-89.9	70-79.9	60-69.9	<60
▲	▲	■	▼	▼



**Individual Building SPP and PSSA Scores^{viii}
2012-13 School Year**

School Building	SPP Score	PSSA % School Proficient and Advanced in Math	PSSA % Statewide Benchmark Proficient and Advanced in Math	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark Proficient and Advanced in Reading	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
Lakeview High School	69.2	64	73	80	70	N/A
Lakeview Middle School	86.4	80	73	75	70	No Designation
Lakeview Elementary School	86.3	90	73	77	70	No Designation

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the District released on June 5, 2013, resulted in five findings. 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 in June 5, 2013

Finding No. 1: District Should Strengthen Its Internal Control Environment

Finding Summary: Our prior audit of the District found there was a potential breakdown in internal controls and communication. Areas of weakness included salary reporting, job descriptions, purchase orders, procedures regarding debit cards, and reporting of federal wages.

Recommendations: We recommended that the District should:

1. Implement necessary procedures to ensure that District salary information is reported to and approved by the Board of School Directors (Board) on an annual basis and documented in the District's board meeting minutes.
2. In conjunction with the District's solicitor, make the necessary revisions to the Superintendent's job description to remove language regarding the specific financial duties for which the Superintendent is no longer responsible.
3. Develop written procedures for using purchase orders.
4. Develop and implement an appropriate second sign-off procedure relating to the requesting and obtaining of purchase orders.
5. Develop written policies and procedures for the use of debit cards.
6. Require the business manager to develop and implement appropriate procedures relating to the reporting of federal wages.

Current Status: During our current audit, we reviewed board meeting minutes to determine if salary information is approved by the Board and the Superintendent's job description to determine if language regarding specific financial duties was removed. We also reviewed the

procedures prepared by the District related to purchase orders, debit cards, and the reporting of federal wages. We found that the District did implement our prior recommendations.

Finding No. 2: **Possible Conflicts of Interest**

Finding Summary: Our prior review of Statements of Financial Interest and the District’s board meeting minutes found that some board members failed to abstain from voting on issues that involved related parties, creating possible conflicts of interest.

Recommendations: We recommended that the District should:

1. Adhere to provisions of the Ethics Act and require board members to publicly announce or disclose the nature of their Statement of Financial Interests as a matter of public record, and file a written memorandum with the Board Secretary attesting to the actual or possible conflict of interest.
2. Ensure steps are taken to establish that requests for proposals from spouses of board members are properly vetted and evaluated to determine the price is reasonable.
3. In conjunction with its solicitor and State Ethics Commission’s determination, require District administrative personnel to put procedures in place to ensure that board member actions are in compliance with the Ethics Act.

We also recommended that Pennsylvania State Ethics Commission should:

4. Determine whether a conflict of interest exists in the situations outlined in this finding, and perform additional review and investigation as it deems necessary.

Current Status: During our current audit, we reviewed documentation disclosing that the Solicitor is providing ongoing training regarding the State Ethics Act, developed a form for use by the board members to document their abstentions from voting due to possible conflicts of interest, and determined procedures were developed to ensure all proposals from relatives of board members are treated as any other proposal and that no special consideration is given to them. We found that the District did implement our prior recommendations. Additionally, the State Ethics Commission determined that no violation of the State Ethics Act occurred and no further review was necessary.

Finding No. 3: Certification Deficiencies

Finding Summary: Our prior audit of the District’s professional employees’ certificates found that three individuals were assigned to teaching positions without the appropriate certifications.

Recommendations: We recommended that the District should:

1. Put procedures in place to compare an individual’s certification to the certification requirements of the assignments the District intends to assign the individual.
2. Require the individuals to obtain proper certification as required for the position or reassign the individual to an area for which proper certification is held.

We also recommended that PDE should:

3. Adjust the District’s allocations to recover the subsidy forfeitures.

Current Status: During our current audit, we reviewed class assignments for the three individuals to determine if they were in appropriate positions, interviewed District staff, and reviewed procedures. We found that the District did implement our prior recommendations. Additionally, PDE recovered the subsidy forfeiture from the District.

Finding No. 4: Internal Control Weaknesses and Reporting Errors Relating to Documentation Supporting Reimbursement for Pupil Transportation

Finding Summary: Our prior audit of the District’s pupil transportation records and reports for the 2008-09 and 2009-10 school years found that because of various internal control weaknesses, reporting errors, and lack of documentation, reimbursements of \$718,883 and \$670,245 could not be supported.

Recommendations: We recommended that the District should:

1. Prepare and retain records of odometer readings between all bus stops and schools, as required.
2. Prior to the beginning of each school year, present detailed bus route descriptions for all routes, with mileage and pupil rosters, for board review and approval and provide the Board with periodic updates, as needed.

3. Prepare and retain on file at the District the source documentation used to report pupil transportation data to PDE, including the weighted averaging for pupils that enter, withdraw, or relocate within the District and bus route mileage changes.
4. Ensure that the District’s administrative personnel become more involved in the maintenance of supporting documentation provided by the contractor and perform an internal review to ensure the accuracy of data submitted to PDE for reimbursement.
5. Enable District personnel to attend seminars sponsored by the Pennsylvania Association of School Business Officials or other such organizations regarding the collection, maintenance, and submission of data.
6. Review transportation reports submitted to PDE for subsequent years and ensure the reported information is accurate and the supporting documentation is on file to support all data reported for each bus.

We also recommended that PDE should:

7. Require the District to properly prepare and retain all supporting documentation as required by Chapter 23 regulations, Section 518 of the Public School Code, and instructions for completing PDE's end-of-year pupil transportation reports.

Current Status: During our current audit, we reviewed documentation submitted by the bus contractors to the District, and retained by the District, as well as documentation showing that a District representative attended transportation training. We found that the District did implement our prior recommendations.

Finding No. 5: Failure to Have All School Bus Drivers’ Qualifications on File

Finding Summary: Our prior audit of the District’s school bus drivers’ qualifications found that not all bus drivers’ qualifications records were on file at the District at the time of the audit.

Recommendations: We recommended that the District should:

1. Ensure that District maintained files are up-to-date and complete.
2. Ensure the District’s Superintendent, and/or his representative, review each driver’s qualifications prior to Board approval.

3. Develop written procedures to ensure that the internal control breakdowns of this type do not occur in the future.

Current Status:

During our current audit, we reviewed documentation and procedures that were put in place requiring the Secretary to the Superintendent to maintain up-to-date records on all bus drivers and ensure that all drivers meet the required qualifications. We found that the District did implement our prior recommendations.

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 403 of The Fiscal Code¹, 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 December 2, 2011 through February 11, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with PDE reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

The District's management is responsible for establishing and maintaining effective internal controls² 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, as they relate to the District's compliance with relevant requirements that we consider to be material 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 material within the context of our audit objectives are included in this report.

¹ 72 P.S. § 403

² 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, financial reports, annual budgets, and new or amended policies and procedures. 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:

- Ü Governance
- Ü Hiring and Separations
- Ü School Safety
- Ü Bus Driver Requirements

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

- Ü Did the LEA's Board and administration maintain best practices in overall organizational governance?
 - To address this objective, we surveyed the District's current Board, conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.
- Ü Did the LEA follow the Public School Code and best practices when hiring new staff?
 - To address this objective, we obtained and reviewed the District's hiring policies and procedures. We selected the last three employees hired by the District; all three were hired during the period June 23, 2014 through October 1, 2014. We reviewed documentation to determine if the District complied with the Public School Code, District policies and procedures, and best practices in hiring these three new employees.
- Ü Did the District take appropriate actions to ensure it provided a safe school environment?
 - To address this objective, we reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports.

- Ü Did the District take appropriate corrective action to address findings and implement recommendations made in our prior audit?
 - To address this objective, we interviewed District administrators to determine what corrective action, if any, was taken to address prior audit recommendations. Where appropriate, we obtained documentary evidence and/or performed audit procedures to verify that corrective action was actually taken and those actions were sufficient to address the prior finding.

- Ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws³? Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we selected 5 of the 25 bus drivers hired by the District's bus contractors during the school year July 1, 2014 to June 30, 2015 and reviewed documentation to ensure that the District complied with the requirements noted above. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements.

³ 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 PA Code Chapter 8, and 23 PA C.S. § 58-6354

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
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter

Assistant Executive Director for Member
Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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, 231 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

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

^{iv} Pennsylvania System of School Assessment (PSSA) stands for the PSSA, which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

^v PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a material weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

^{vi} 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 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

^{vii} SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

^{viii} *Id.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

^{ix} Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a material deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.