

# PERFORMANCE AUDIT

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## Schuylkill Valley School District Berks County, Pennsylvania

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September 2015



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Warren Mata, Superintendent  
Schuylkill Valley School District  
929 Lakeshore Drive  
Leesport, Pennsylvania 19533

Mr. David E. Moll, Board President  
Schuylkill Valley School District  
929 Lakeshore Drive  
Leesport, Pennsylvania 19533

Dear Mr. Mata and Mr. Moll:

We have conducted a performance audit of the Schuylkill Valley School District (District) for the period September 28, 2012 through March 10, 2015. We evaluated the District's performance in the following areas:

- Ü Governance
- Ü Financial Stability
- Ü Contracting
- Ü School Safety
- Ü Bus Driver Requirements

We also determined the status of corrective action taken by the District in response to our prior audit recommendations and found that the District implemented these recommendations.

Our audit found that the District performed adequately in the areas listed above except as noted in the following finding:

- The District Failed to Obtain Board Approval for all Contracts

We discussed this finding with the District and provided recommendations to assist the District in improving its operations.

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

Sincerely,

Eugene A. DePasquale  
Auditor General

September 24, 2015

cc: **SCHUYLKILL VALLEY SCHOOL DISTRICT** Board of School Directors

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## Background Information<sup>i</sup>

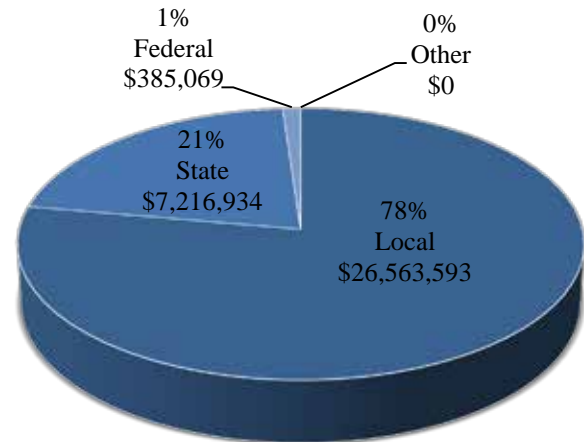
School Characteristics 2013-14 School Year <sup>ii</sup>	
County	Berks
Total Square Miles	53
Resident Population <sup>iii</sup>	14,784
Number of School Buildings	3
Total Teachers	145
Total Full or Part-Time Support Staff	67
Total Administrators	14
Total Enrollment for Most Recent School Year	1,977
Intermediate Unit Number	14
District Vo-Tech School	Berks Career & Technical Center

### Mission Statement

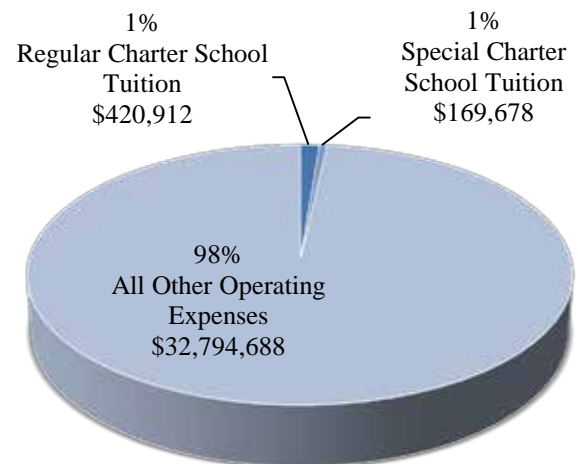
“It is the mission of the Schuylkill Valley School District to provide a safe nurturing environment in which each student is challenged to think, question, and create. With the cooperation of parents and the community, we will prepare our students to be responsible and contributing members of society.”

## Financial Information

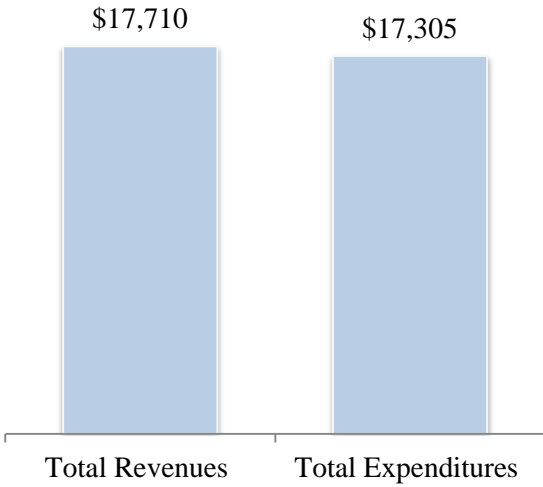
### Revenue by Source for 2013-14 School Year



### Select Expenditures for 2013-14 School Year

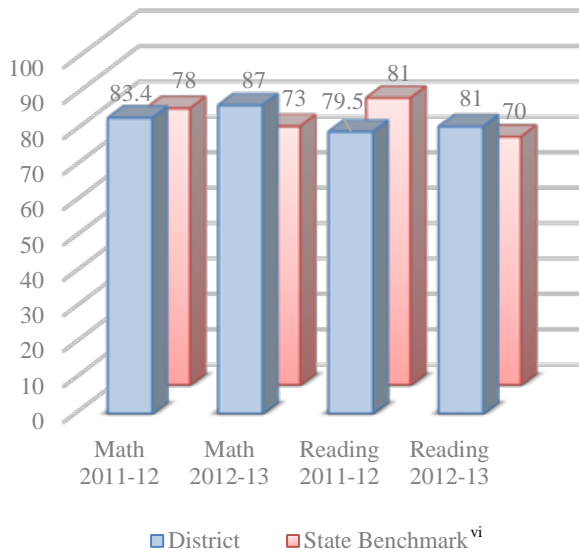


**Dollars Per Student  
2013-14 School Year**



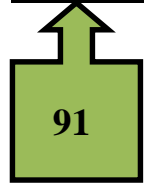
**Academic Information**

**Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA<sup>iv v</sup>**



**District's 2012-13 SPP Score<sup>vii</sup>**

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



**Individual Building SPP and PSSA Scores<sup>viii</sup>  
2012-13 School Year**

<b>School Building</b>	<b>SPP Score</b>	<b>PSSA % School Proficient and Advanced in Math</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Math</b>	<b>PSSA % School Proficient and Advanced in Reading</b>	<b>PSSA % Statewide Benchmark Proficient and Advanced in Reading</b>	<b>Federal Title I Designation (Reward, Priority, Focus, No Designation)<sup>ix</sup></b>
Schuylkill Valley Elementary School	86.8	87.2	73	78	70	No Designation
Schuylkill Valley Middle School	90.8	92	73	85.5	70	N/A
Schuylkill Valley High School	80.4	79	73	83	70	N/A

## Findings and Observations

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### Finding

### The District Failed to Obtain Board Approval for all Contracts

*Criteria relevant to the finding:*

Section 508 of the Public School Code (PSC), 24 P.S. § 5-508, provides, in part:

“The affirmative vote of a majority of all the members of the Board of School Directors (Board) in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subject:

\*\*\*

Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100).”

Schuylkill Valley School District Board Policy #006 – Meetings, Section 8, provides for:

“All motions shall require for adoption a majority vote of those Board members present and voting, except as provided by statute or Board procedures.”

Schuylkill Valley School District Board Policy #006 – Meetings, Section 8, Part b, #15 states:

“Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies where the amount involved exceeds \$100 (including items subject to \$10,000 bid requirements).”

Our audit of the District found that 5 of 9 executed district contracts we reviewed were not approved by the Board. The failure to have all contracts board approved prior to execution leaves the District financially vulnerable to entering into contracts that are not in the best interest of the District and its taxpayers. The Board’s review process of contracts is imperative to the checks and balances system currently required by the PSC. This process also ensures transparency and accountability as potential contracts and contractors are discussed by the representatives of District taxpayers in a public forum prior to authorization and payment of these contracts.

District administrators stated that they only presented “major” contracts, as deemed by the administration, to the Board for approval. District administrators did not comply with the PSC and their own District policy by implementing and abiding by this subjective determination of what is a “major” contract. This practice also failed to meet the PSC and District policy by not obtaining an affirmative vote of a majority of all the Board on each contract and the District not recording how each board member voted when reviewing a contract proposal.

### Recommendations

The *Schuylkill Valley School District* should:

1. End the practice of the District administration determining which executed contracts, except those contracts with an amount not exceeding \$100, should or should not be presented to the Board for their approval.
2. Ensure that, as required by the PSC, contracts of any kind require prior approval by the Board in public discussion and vote where such contracts exceed \$100.

## **Management Response**

Management stated the following:

“In the past, the district obtained school board approval for major contracts. Approval of smaller contracts occurred when the board approved the payment of bills each month.

As of the February 23, 2015 board meeting, the district now seeks school board approval for all contracts over \$100.”

## **Auditor Conclusion**

We are encouraged to see that the District is requiring Board approval for all contracts over \$100 as required by the PSC. We will review this process during our next audit of the District.



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

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Our prior audit of the District released on April 24, 2013, resulted in two 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 interviewed District personnel and performed audit procedures, as detailed in each status section below.

### **Auditor General Performance Audit Report Released on April 24, 2013**

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#### **Finding No. 1: Ineligible Retirement Incentive**

Prior Finding Summary:

Our prior audit of the District found that on May 4, 2009, the Board and the Schuylkill Valley Education Association (SVEA) agreed to offer a retirement incentive to eligible employees. For eligible employees, the District provided a lump-sum payment equal to the premium of two-person health insurance coverage. For the 2009-10 school year, this resulted in a payment of \$11,458 and, for the 2010-11 school year, a payment of \$12,128. The former business manager was eligible for the retirement incentive according to his contract. However, he did not meet the deadlines of May 20, 2009 and June 30, 2009. A memo indicated that the Board had approved paying a reduced retirement incentive to the former business manager if he retired as of December 31, 2009. Therefore, the District did not follow their own retirement incentive agreement with the SVEA, which established the terms and conditions of eligible employees, a deadline date of a written notice of intent to retire, and a deadline date of a written notice of effective retirement date. Also, the District was unable to provide records showing a Board approval for this reduced retirement incentive with the former business manager.

Prior Recommendations:

We recommended that the District should:

1. Obtain Board approval for any payments made beyond an employee's contract.
2. Follow the terms and conditions of the retirement incentive offered to the SVEA.

Current Status:

During our current audit, we obtained and reviewed the Board retirement incentive memo, which was approved at the board meeting on August 27, 2012. The District followed the terms and conditions of the retirement incentive offered to the SVEA eligible employees. The Board

did approve a reduced retirement payment to the former business manager, due to miscommunication between him and the Superintendent's office. This incentive was only offered for a two-year period, the 2009-10 and the 2010-11 school years. This incentive is no longer offered to SVEA members. We found that the District did implement our recommendations.

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**Finding No. 2: Continued Inadequate Documentation and Errors in Membership Reported for Children Placed in Private Homes Resulted in a Reimbursement Overpayment of \$9,556**

Prior Finding Summary:

Our prior audit of the District found that pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2008-09 school year found reporting errors. District personnel did not maintain adequate documentation and inaccurately reported membership for children placed in private homes (foster children). These errors resulted in an overpayment of \$9,556 for the 2008-09 school year. These reporting errors occurred because District personnel made errors and failed to maintain proper documentation of these children.

Prior Recommendations:

We recommended that the District should:

1. Review PDE instructions and compile the non-resident listing accordingly.
2. Maintain placement letters for all children placed in private homes (foster children) for audit.
3. Review membership data thoroughly for residency classifications prior to submitting reports to PDE.
4. Review reports submitted subsequent to the years audited and, submit revised reports to PDE, if errors are found.

The *Pennsylvania Department of Education* should:

5. Adjust the Charter School's allocations to resolve the \$9,556 overpayment.

Current Status:

During our current audit, we reviewed District membership data, more specifically for foster children, to see if the District accurately reported this membership data to PDE for the 2011-12, 2012-13, and 2013-14 school years. We found that the District did implement our prior

recommendations after release of the report in April 2013. Due to the release date of our previous audit report, the District personnel did not maintain adequate documentation and inaccurately reported membership for foster children during the 2011-12 school year only. These errors resulted in an underpayment to the District of \$15,950. Membership days during the 2011-12 school year for foster children were understated by 172 days for one elementary student and understated by 99 days for one secondary student. These reporting errors occurred because District personnel made mistakes in identifying these students as 1305 non-resident students.

Beginning in the 2012-13 school year and continuing in the 2013-14 school year, the District did implement our recommendations regarding membership data, specifically for foster children, and was reported correctly to PDE. We once again request that PDE adjust the District's allocations for the \$9,556 overpayment in the 2008-09 school year. We also request that PDE adjust the District's allocations for the \$15,950 underpayment in the 2011-12 school year.

## **Appendix: Audit Scope, Objectives, and Methodology**

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

Our audit, conducted under authority of Section 403 of The Fiscal Code,<sup>1</sup> is not a substitute for the local annual financial audit required by the PSC, 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 September 28, 2012 through March 10, 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 controls<sup>2</sup> 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, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be material within the context of our audit objectives are included in this report.

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<sup>1</sup> 72 P.S. § 403.

<sup>2</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, 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 performance in the following areas:

- Ü Governance
- Ü Financial Stability
- Ü Contracting
- 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; and reviewed board meeting books, policies and procedures, 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 Based on an assessment of fiscal benchmarks, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
  - To address this objective, we reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2005-06 through 2013-14. The financial and statistical data was used to calculate ratios and trends for 22 benchmarks which were deemed appropriate for assessing the District's financial stability.
- Ü Did the District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?
  - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of contracts for goods and services that were in effect for the 2013-14 school year. We selected 9 out of 50

significant contracts for detailed testing. Testing included a review of the procurement documents to determine if the contract was procured in accordance with the PSC and District policies. We also reviewed documents to determine if the District properly monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board's Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts.

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. In addition, we conducted on-site reviews at all three of the District's school buildings (one from each education level) to assess whether the District had implemented basic safety practices.

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 laws?<sup>3</sup> 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 41 bus drivers hired by District bus contractor, during the school years July 1, 2012 to June 30, 2015, and reviewed documentation to ensure the District complied with the requirements related to bus drivers listed above. We also determined whether the District had written policies and procedures governing the hiring of bus drivers and whether those procedures were sufficient to ensure compliance with bus driver hiring requirements.

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<sup>3</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

## **Distribution List**

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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](http://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](mailto:news@PaAuditor.gov).

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<sup>i</sup> Source: School district, PDE, and U.S. Census data.

<sup>ii</sup> Source: Information provided by the District administration.

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

<sup>iv</sup> PSSA stands for the Pennsylvania System of School Assessment (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.

<sup>v</sup> 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.

<sup>vi</sup> 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.

<sup>vii</sup> 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.

<sup>viii</sup> *Ibid.* 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.

<sup>ix</sup> 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.