

PERFORMANCE AUDIT

Oley Valley School District Berks County, Pennsylvania

January 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Tracy S. Shank, Superintendent
Oley Valley School District
17 Jefferson Street
Oley, Pennsylvania 19547

Mr. Stephen S. Burns, Board President
Oley Valley School District
17 Jefferson Street
Oley, Pennsylvania 19547

Dear Dr. Shank and Mr. Burns:

We have conducted a performance audit of the Oley Valley School District (District) for the period July 1, 2012 through June 30, 2015. We evaluated the District's performance in the following areas:

- Governance
- Contracting
- Administrator Contract Buy-out
- School Safety
- Bus Driver Requirements

The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 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

January 28, 2016

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

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Background Informationⁱ

School Characteristics 2014-15 School Year ⁱⁱ	
County	Berks
Total Square Miles	65
Resident Population ⁱⁱⁱ	11,715
Number of School Buildings	3
Total Teachers	136
Total Full or Part-Time Support Staff	96
Total Administrators	14
Total Enrollment for Most Recent School Year	1,705
Intermediate Unit Number	14
District Vo-Tech School	Berks Career & Technology Center

Mission Statement

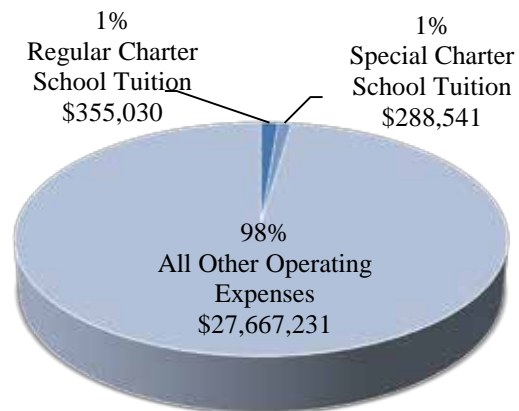
“Enter to Learn...Leave to Serve”

The Oley Valley School District commits to providing a learning environment that integrates its heritage and community while developing lifelong learners who are prepared for an ever-changing world. The district commits to the characteristics of 21st Century High Performing Educational Systems which include a clear and shared focus; high standards and expectations; effective district leadership at all levels; high levels of collaboration and communication; 21st Century Curriculum, Instruction, and Assessment Aligned with 21st Century Standards; frequent monitoring and evaluation of teaching and learning; focused professional development; safe, supportive, and nurturing learning environment; and high levels

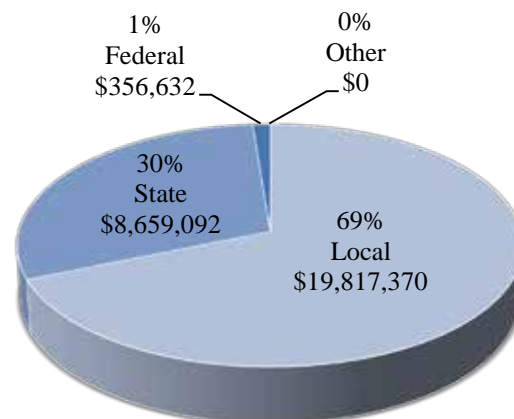
of community and parent involvement. The Oley Valley School District also commits to embracing diversity and individuality within the context of mutual respect and understanding to empower our students to become responsible, contributing citizens in a global society.”

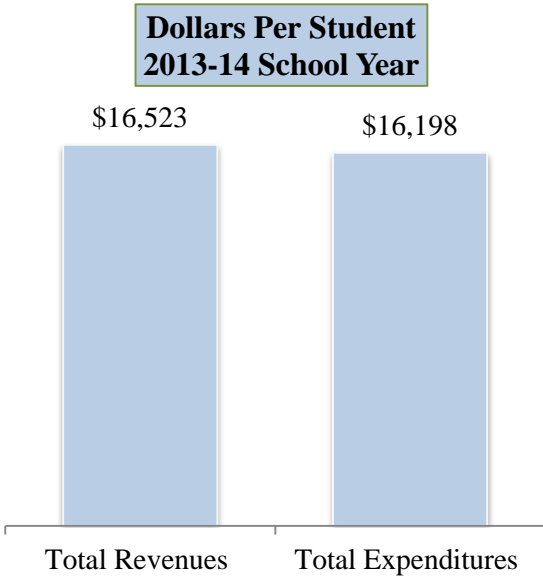
Financial Information

Select Expenditures for 2013-14 School Year



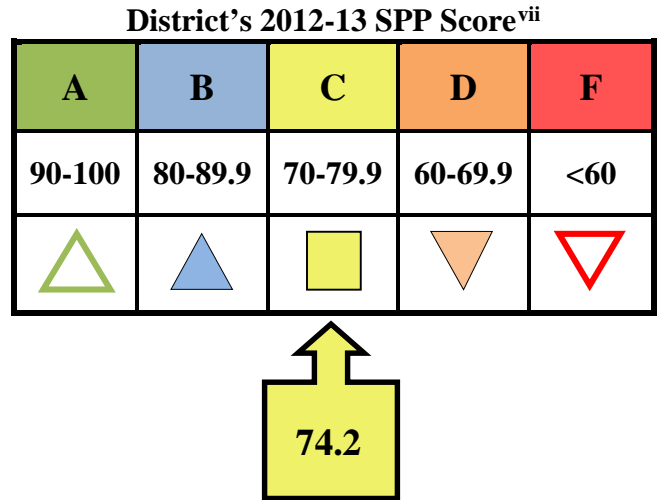
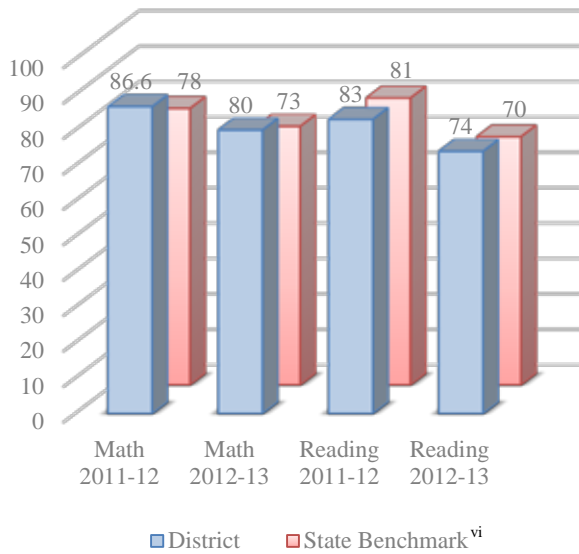
Revenue by Source for 2013-14 School Year





Academic Information

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



**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 of 73% Above or Below	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark of 70% Above or Below	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
Oley Valley Elementary	67.5	74	1	69	1	No Designation
Oley Valley Middle	80.8	90	17	79	9	N/A
Oley Valley High	69	66	7	75	5	N/A

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 October 30, 2013, resulted in two findings and one observation. 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 October 30, 2013

Prior Finding No. 1: Lack of Internal Controls Resulted in Membership Reporting Errors and a Reduction in the District's State Education Reimbursement

Prior Finding Summary:

Our audit of the District's 2009-10 school year pupil membership reports found data errors caused by a lack of proper internal controls. District personnel inaccurately reported the District's membership for children placed in private homes (foster children). The District failed to catch this error because personnel did not reconcile preliminary membership reports from PDE with the data in its Student Information System (SIS). In addition, District personnel misunderstood the Pennsylvania Information Management System (PIMS) guidelines for reporting non-resident students including foster children. These errors resulted in a \$29,290 reduction in the District's state reimbursement for non-resident students.

Prior Recommendations:

We recommended that the District should:

1. Review subsequent year's reports and, if errors are found, submit revised reports to PDE.
2. Request additional training from PDE to ensure personnel clearly understands the membership reporting guidelines and instructions.
3. Maintain evidence of manual compensating controls and work with the outside vendor to better understand and navigate the vendor system.
4. Reconcile manual records with the reports generated by the District's SIS.

5. Reconcile the District's PIMS reports with the reports generated by the District's SIS.
6. Reconcile preliminary membership reports from PDE with the data in the District's SIS, prior to PDE issuing the Final Summary of Child Accounting Membership Report.
7. Establish policies and procedures to ensure that the District's membership data would be reported correctly if there was a sudden change in personnel or outside vendor.
8. Limit access to PIMS and use individual passwords, rather than group passwords.

We also recommended that PDE should:

9. Revise all reports that have been incorrectly reported and adjust the District's reimbursements affected by the error.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. As of October 29, 2015, PDE has not resolved the \$29,290 underpayment. Therefore, we again recommend PDE adjust the District's subsidy to resolve the outstanding underpayment of \$29,290.

Prior Finding No. 2:

District Paid Its Former Assistant Superintendent \$30,400 in Benefits That Were Not Contractually Required

Prior Finding Summary:

We reviewed the retirement package paid by the District to its former Assistant Superintendent, who retired effective August 27, 2010. We found that the District paid the former Assistant Superintendent for unused vacation days at a per diem rate, instead of converting the days to sick days, paid at a lower daily rate, as required by her Contract for Employment (Contract). In addition, the District also awarded her a benefit waiver for the 2009-10 school year and part of the 2010-11 school year worth \$2,800. However, there were no provisions in the former Assistant Superintendent's Contract that made her eligible to receive this benefit. Furthermore, the auditors found no evidence that either of these additional benefits were approved by the District's Board of School Directors (Board) at an open meeting.

Prior
Recommendations:

We recommended that the District should:

1. Comply with the requirements of the Public School Code (PSC).
2. Ensure that all personnel actions, including hiring, promotions, transfers, pay raises, and salary setting are voted on and approved in a public board meeting.
3. Ensure that all personnel transactions are appropriately recorded in the official school board meeting minutes.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. Board action was taken and recorded in the official board meeting minutes to address personnel action, which required board approval in compliance with the PSC. In addition, our current review consisted of three administrators' contracts who left the District since April 23, 2013. No concerns were found with the separation agreements for these administrators.

Prior Observation:

The District Financed Some of its Debt With Interest-Rate Management ("SWAP") Agreements

Prior Observation
Summary:

Our prior audit of the District found that on September 29, 2004, the District entered into a "SWAP" agreement related to its issuance of \$21,335,000 (currently issued and outstanding), Series A 2002, variable rate general obligation bonds.

Prior
Recommendations:

We recommended that the District should:

Consider all the risks, including potential termination fees, when entering into any new "SWAP" agreements in the future.

Current Status:

During our current audit, the District complied with our recommendation. The District had not entered into any new "SWAP" agreements. We found that the District did refinance the original "SWAP," and the District said it would terminate this "SWAP" agreement when it is financially feasible.

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 Code,¹ is not a substitute for the local annual financial audit required by the PSC 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, 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, that 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.

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:

- Governance
- Contracting
- Administrator Contract Buy-out
- School Safety
- 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 administration maintain best practices in overall organizational governance?
 - o To address this objective, we conducted in-depth interviews with the current Superintendent, 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 District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?
 - o To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of contracts and agreements for goods and services that were in effect for the 2014-15 school year. We selected 6 out of the list of 93 contracts for detailed testing. We selected the largest dollar value contracts in the following areas: food management service, transportation, special education services, construction, goods purchased, and maintenance. 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 pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the separation, and did the current employment contracts contain adequate termination provisions and were the termination provisions followed?
 - To address this objective, we reviewed the contracts, the Act 93 Agreement, board meeting minutes, board policies, and payroll records for all three contracted administrators who separated from employment with the District during the period April 23, 2013 through September 11, 2015.

- 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 follow-up reviews at the District's three school buildings to assess whether the District had taken corrective action on any weaknesses from our prior safe schools review.

- 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?³ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we reviewed all five bus drivers who were hired by the District bus contractor between July 1, 2013 through October 26, 2015, and reviewed documentation to ensure the District complied with bus driver's requirements. 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, 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

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, 229 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} 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.

^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 significant 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} *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.

^{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 significant 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.