

PERFORMANCE AUDIT

Twin Valley School District Berks County, Pennsylvania

February 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Robert Pleis, Superintendent
Twin Valley School District
4851 North Twin Valley Road
Elverson, Pennsylvania 19520

Mr. Gary McEwen, Board President
Twin Valley School District
4851 North Twin Valley Road
Elverson, Pennsylvania 19520

Dear Dr. Pleis and Mr. McEwen:

We have conducted a performance audit of the Twin Valley School District (District) for the period July 1, 2012 through June 30, 2015. We evaluated the District's performance in the following areas as further described in the appendix of this report.

- 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

February 25, 2016

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

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Background Informationⁱ (Unaudited)

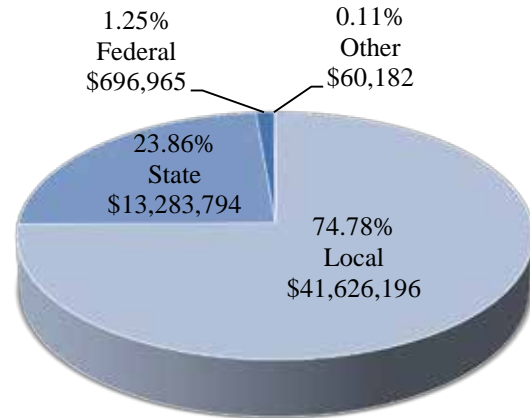
School Characteristics 2015-16 School Year ⁱⁱ	
County	Berks
Total Square Miles	89.08
Resident Population	24,048
Number of School Buildings	5
Total Teachers	245
Total Full or Part-Time Support Staff	115
Total Administrators	24
Total Enrollment for Most Recent School Year	3,360
Intermediate Unit Number	14
District Vo-Tech School	Berks Career and Technology Center

Mission Statement

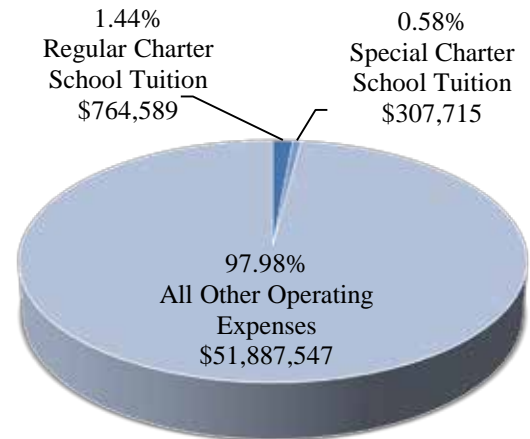
“Twin Valley School District promotes a supportive, challenging, and collaborating learning environment for today’s students.”

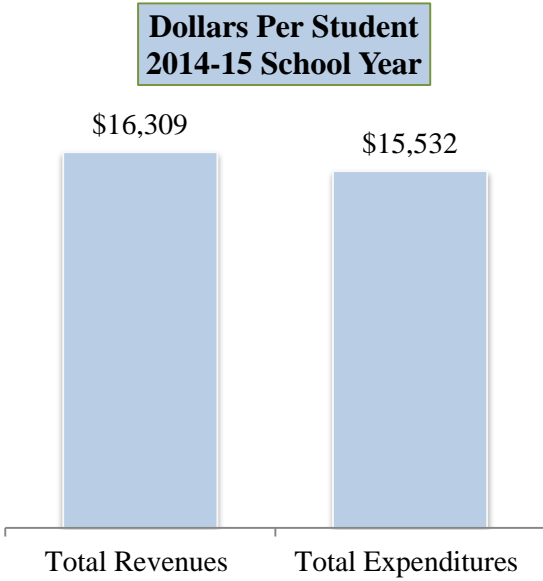
Financial Information

Revenue by Source for 2014-15 School Year

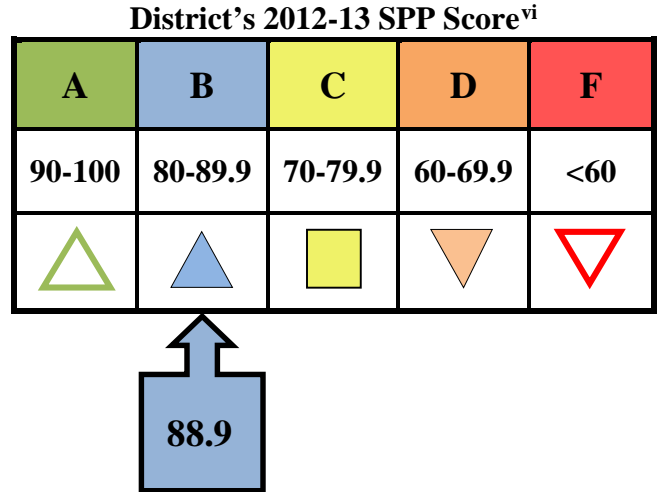
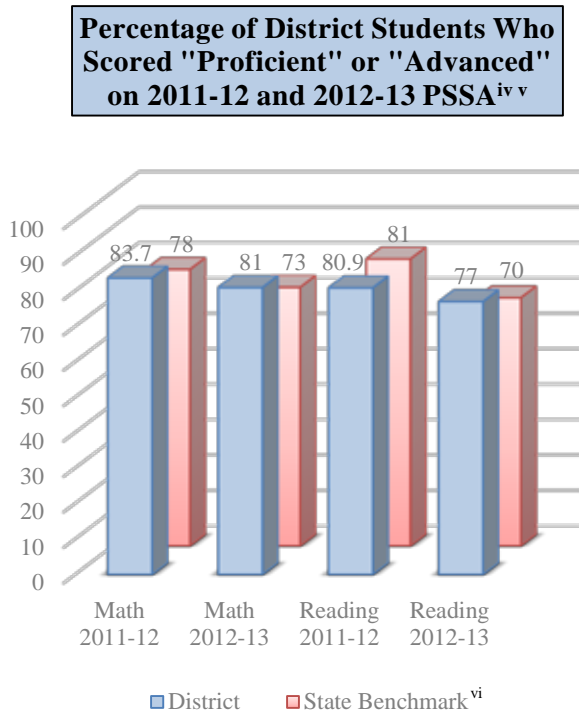


Select Expenditures for 2014-15 School Year





Academic Information



**Individual Building SPP and PSSA Scores^{vii}
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) ^{viii}
Honey Brook Elementary Center	86.2	87	14	81	11	No Designation
Robeson Elementary Center	82.3	86	13	82	12	No Designation
Twin Valley Elementary Center	87.9	78	5	79	9	No Designation
Twin Valley Middle School	83.6	82	9	75	5	No Designation
Twin Valley High School	84.9	74	1	88	18	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 August 28, 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 reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on August 28, 2013

Prior Finding No. 1: Deficit Fund Balance of \$1,205,370 as of June 30, 2012 (Resolved)

Prior Finding Summary: Our prior review of the District's Annual Financial Reports, Independent Auditor Reports, and General Fund budgets for fiscal years ended June 30, 2006 through 2012, found that the balance in the District's General Fund decreased during the review period from a \$5,384,689 surplus on June 30, 2005, to a \$1,205,370 deficit on June 30, 2012.

Additionally, the District engaged in a practice of deficit spending whereby actual expenditures exceeded actual revenues for the fiscal years ended June 30, 2006 through 2010. Revenues were greater than expenditures for the years ended June 30, 2011 and June 30, 2012.

Prior Recommendations: We recommended that the District should:

1. Immediately adopt a board policy requiring the District's business office to prepare annual budgets with historical trend data and support revenue projections.
2. Require the District's Business Manager to provide the Board of School Directors (Board) with monthly status reports on key financial indicators such as actual year-to-date revenues and expenditures, updated revenue projections, and current fund balances.
3. Immediately adopt a board policy that would require all expenditure proposals to be accompanied by a brief analysis as to how the expenditure would affect the approved budget.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. We determined the District implemented procedures based on the Board Policy #620 (titled Fund Balance) that was adopted on November 21, 2011, to annually address the District's financial needs and compliance with the Public School Code (PSC). The administration also developed a fund balance plan which established goals and provided guidelines to be used to establish a fund balance. The District had a fund balance of \$4,712,792 as of June 30, 2015.

Prior Finding No. 2: Inaccurate Reporting of Child Accounting Data Resulted in an Underpayment of \$49,052 in State Subsidy (Resolved)

Prior Finding Summary:

Our prior audit of the District pupil membership data submitted to PDE via the Pennsylvania Information Management System (PIMS) for the 2010-11 school year found resident and non-resident membership reporting errors. The non-resident membership errors resulted in a \$49,052 underpayment of tuition for children placed in private homes (foster children) subsidy. The effect of the resident membership errors could not be quantified as resident membership, or the 2010-11 school year had not yet been used to calculate relevant state subsidies.

Prior Recommendations: We recommended that the District should:

1. Reconcile the printouts from the Student Information System (SIS) with the printouts from PIMS to ensure that all student records have been properly uploaded.
2. Develop procedures to ensure all necessary calendars have been created within PIMS.

We also recommended that PDE should:

3. Adjust the District's allocations to resolve the underpayment of \$49,052.

Current Status:

During our current audit, we determined through an interview with the child accounting coordinator and review of the District's child accounting records that the District now reconciles the District's SIS printouts to PIMS student data printouts for agreement and creates the necessary school calendars within PIMS. PDE resolved the underpayment of \$49,052 to the District on June 1, 2015. In summary, we found that the District and PDE 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 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.

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 Board and 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 vendors from which goods and services were purchased in excess of \$10,000 during the 2014-15 school year. We haphazardly selected 6 out of the 108 vendors to determine if contracts existed. Detailed testing was performed on the contracts obtained. Testing included a review of the procurement documents to determine if the contracts were 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 termination/settlement, and did the current employment contracts contain adequate termination provisions?
 - To address this objective, we reviewed the contracts, Act 93 agreement, board meeting minutes, board policies, and payroll records for all six administrators who had left the District during the period April 17, 2013 through November 2, 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 to assess whether the District had implemented basic safety practices. We also determined if the District addressed any weaknesses we included in 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 selected five of the seven bus drivers hired by the District's bus contractors during the period April 17, 2013 through December 8, 2015, and reviewed documentation to ensure the District complied with bus driver's requirements. We also determined if the contractor and 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 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.

^{iv} 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.

^v 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.

^{vi} 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.

^{vii} *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.

^{viii} 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.