

PERFORMANCE AUDIT

Spring Cove School District Blair County, Pennsylvania

March 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Frank Meloy, Interim Superintendent
Spring Cove School District
1100 East Main Street
Roaring Spring, Pennsylvania 16673

Mr. Brian Gahagan, Board President
Spring Cove School District
1100 East Main Street
Roaring Spring, Pennsylvania 16673

Dear Dr. Meloy and Mr. Gahagan:

We have conducted a performance audit of the Spring Cove School District (District) for the period July 1, 2011 through June 30, 2015, except as otherwise stated. We evaluated the District's performance in the following areas as further described in the appendix of this report.

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

March 3, 2016

cc: **SPRING COVE SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

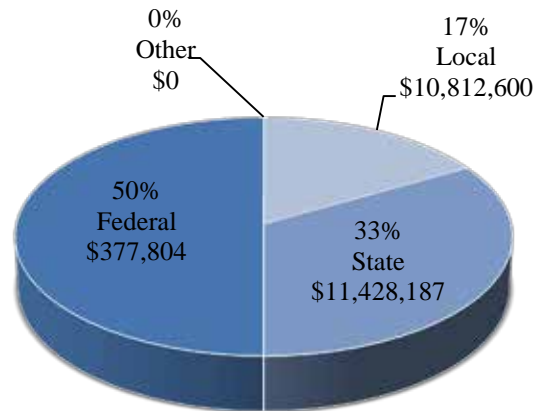
School Characteristics 2014-15 School Year ⁱⁱ	
County	Blair
Total Square Miles	98.6
Resident Population ⁱⁱⁱ	14,446
Number of School Buildings	4
Total Teachers	125
Total Full or Part-Time Support Staff	105
Total Administrators	10
Total Enrollment for Most Recent School Year	1,846
Intermediate Unit Number	8
District Vo-Tech School	Greater Altoona Career & Technology Center

Mission Statement

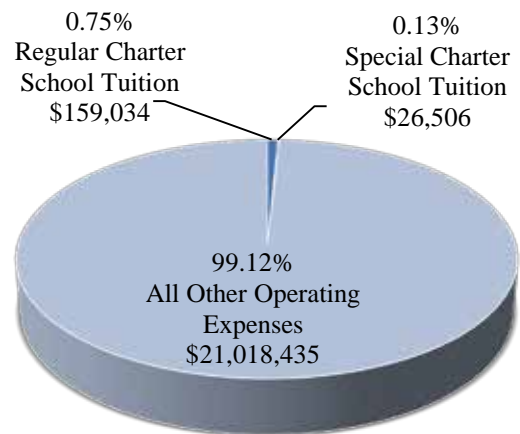
“The mission of the Spring Cove School District is to inspire and equip all students to become responsible, respectful, and productive contributors to our local and global communities.”

Financial Information

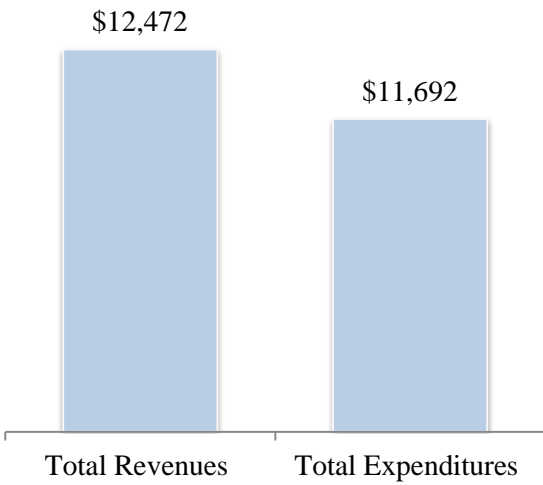
Revenue by Source for 2013-14 School Year



Select Expenditures for 2013-14 School Year

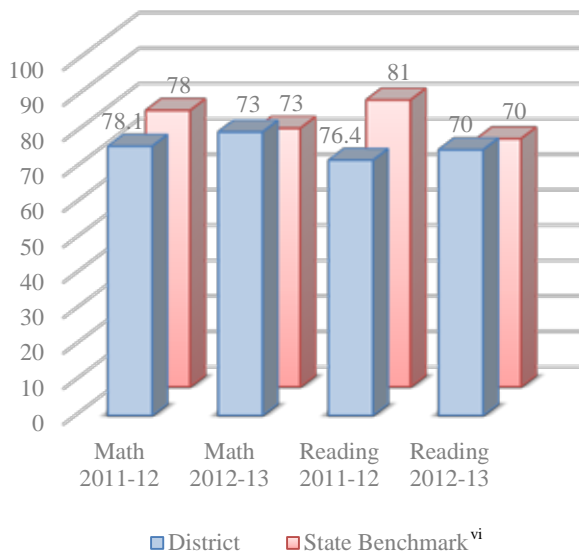


**Dollars Per Student
2013-14 School Year**



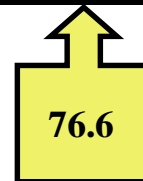
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{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 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}
Central High School	72.7	66	7	76	6	N/A
Martinsburg Elementary	70.6	75	2	68	2	N/A
Spring Cove Elementary	75.1	74	1	64	6	N/A
Spring Cove Middle School	82.6	79	6	84	14	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 July 15, 2013, resulted in three 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 interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on July 15, 2013

Prior Finding No. 1: Certification Deficiency (Resolved)

Prior Finding

Summary:

Our prior audit of the District professional employee's certification and assignments for the period July 1, 2011 through September 21, 2012, found one professional employee was teaching in an area for which she was not certified.

Prior

Recommendations:

Our audit finding recommended that the District should:

1. Put procedures in place to ensure all professional employees are properly certified for their assignments.
2. Reassign the individual, if necessary, to an area for which the individual's area of certification is proper.

We also recommended that the *Pennsylvania Department of Education (PDE)* should:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. The professional employee obtained correct certification for the assignment on November 1, 2012. As of January 12, 2016, PDE has not withheld the \$1,211 subsidy forfeiture.

Prior Finding No. 2: Errors in Reporting Pupil Membership Data Resulted in a Reimbursement Underpayment Totaling \$4,017 for Children Placed in Private Homes (Unresolved)

Prior Finding Summary:

Our prior audit of the District's pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors. These errors caused the District to be underpaid \$4,017 in Commonwealth-paid tuition for non-resident children placed in private homes (foster children). The underpayment was caused by District personnel coding one non-resident full-time kindergarten student as a resident.

Prior Recommendations:

Our audit finding recommended that the District should:

1. Strengthen internal controls through reconciliations of data uploaded into the Pennsylvania Information Management System (PIMS).
2. Thoroughly review all child accounting data for accuracy prior to submission to PDE.
3. Review subsequent years' membership reports and revise as necessary.

We also recommended that PDE should:

4. Adjust future District allocations to correct the underpayment of \$4,017.

Current Status:

On October 23, 2012, at the beginning of the 2012-13 school year and shortly after the conclusion of the 2011-12 school year, we notified the District of the pupil membership weaknesses and provided recommendations to correct the problem. However, in our current audit, we found that the District did not implement our prior recommendations. According to PDE's *2009-10 PIMS User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the child accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code.

If a review of child accounting data had been performed, the District would have been aware that necessary documentation was not retained to support the students reported as non-resident foster children. As a

result, we could not verify the accuracy of the tuition received from the Commonwealth for foster children, totaling \$142,988 (\$83,744 for the 2011-12 school year and \$59,244 for the 2012-13 school year).

As of January 12, 2016, PDE had not adjusted the District's allocation to correct the underpayment of \$4,017.

Prior Finding No. 3: The District's Entitlement to \$1,163,564 in Transportation Subsidies is Questionable as a Result of a Lack of Documentation (Resolved)

Prior Finding Summary:

Our prior audit of the District's transportation data found that District personnel were unable to provide documentation supporting the mileage data reported to PDE, for the 2008-09 and 2009-10 school years, resulting in our inability to verify the District's entitlement to subsidies totaling \$1,163,564.

Prior Recommendations:

Our audit finding recommended that the District should:

Put procedures in place to ensure that mileage documentation is retained for no less than six years.

Current Status:

During our current audit, we found that due to changes in a key administrative position, corrective action could not have been implemented immediately after the release of our prior audit. However, corrective action was taken beginning with the 2015-16 school year, and presently the District has added procedures to ensure mileage documentation is retained.

Prior Observation: The District Spent \$69,580 in a Costly Buy-Out of the Technology Administrator (Unresolved)

Prior Observation Summary:

Our prior audit of the District found that the Board of School Directors (Board) entered into an employment contract with an individual to serve as the District's technology administrator. The contract had a term of five years. The contract provided the administrator with compensation of \$70,915 for the first year of the contract, as well as a tax-deferred annuity and a variety of benefits. The contract further provided that the Board would annually review and adjust the administrator's salary and tax-deferred annuity. The District entered

into a costly buy-out with this administrator after four years and four months of the five year contract.

Prior

Recommendations:

Our audit observation recommended that the District should:

1. Abide by all termination provisions in employee contracts.
2. Document the reason for any contract buy-outs or additional payments in the board meeting minutes.

Current Status:

During our current audit, we found that the District did not implement our prior recommendations. We found that contracts for two administrators failed to include termination provisions. The contract for the former Superintendent, who was placed on paid leave and then resigned, failed to include the termination provisions as required under Section 24 P.S. § 10-1073 (v) of the Public School Code (PSC). The review of the board meeting minutes failed to include the reason for the early termination. In addition, the contract for the current Business Manager fails to include termination language as required by Section 24 P.S. § 10-1089 of the PSC. We could not determine the cause for the District not implementing our prior audit's recommendations, and we again identify the need for appropriate termination language in administrative contracts. Without such language, the District may incur unnecessary costs in the future.

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, 2011 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
- Financial Stability
- 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?
 - 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 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 2007 through 2014. 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. The benchmarks are based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. We also made inquiries and evaluated data to determine the causes of the disparities noted between budgeted amounts and actual amounts during the period audited.

- 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 contract contain adequate termination provisions?
 - To address this objective, we reviewed the contract, settlement agreement, board meeting minutes, board policies, and payroll records for the only administrator whose contract was terminated early during the period July 1, 2012 through January 12, 2016.

- 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 and anti-bullying policies. We conducted a second follow-up review to assess whether the District had implemented basic safety practices.

- 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 outlined 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 all five of the bus drivers hired by the District bus contractors during the period July 1, 2011 through June 30, 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
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Harrisburg, PA 17105

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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} *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 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.