

PERFORMANCE AUDIT

Upper Perkiomen School District Montgomery County, Pennsylvania

April 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Alexis McGloin, Superintendent
Upper Perkiomen School District
2229 East Buck Road, Suite 1
Pennsburg, Pennsylvania 18073

Mr. John Gehman, Board President
Upper Perkiomen School District
2229 East Buck Road, Suite 1
Pennsburg, Pennsylvania 18073

Dear Dr. McGloin and Mr. Gehman:

We have conducted a performance audit of the Upper Perkiomen School District (District) for the period July 1, 2012 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.

- Administrator Contract Buy-out
- Data Integrity
- 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

April 8, 2016

cc: **UPPER PERKIOMEN SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Background Information	1
Findings and Observations	4
Status of Prior Audit Findings and Observations	5
Appendix: Audit Scope, Objectives, and Methodology	8
Distribution List	11

Background Informationⁱ

School Characteristics 2014-15 School Yearⁱⁱ	
County	Montgomery/Berks
Total Square Miles	51.31
Resident Populationⁱⁱⁱ	22,324
Number of School Buildings	4
Total Teachers	227
Total Full or Part-Time Support Staff	181
Total Administrators	24
Total Enrollment for Most Recent School Year	3,233
Intermediate Unit Number	23
District Vo-Tech School	Western Montgomery Career and Technical Center

Mission Statement

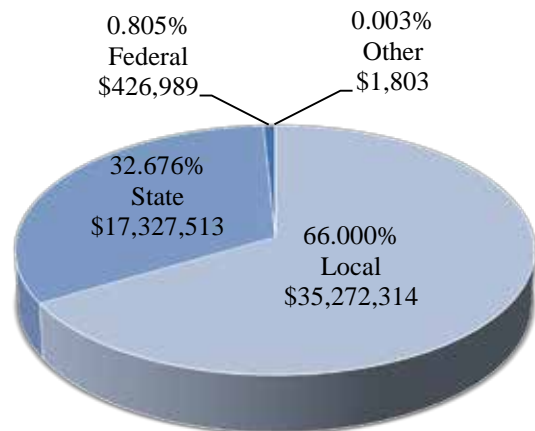
The Upper Perkiomen School District will:

- Prepare students to maximize their individual learning potential.
- Recruit and retain effective educators.
- Commit quality resources to continually improve instruction and student learning.
- Provide opportunities for professional growth, collaborative planning, and curriculum development.

- Develop independent thinking, self-sufficient, citizens in a world that is constantly changing.
- Support a comprehensive curricular and co-curricular program that meets the needs of all students.
- Promote collective school/community partnerships which are essential if the school district is to be perceived as a leader.

Financial Information

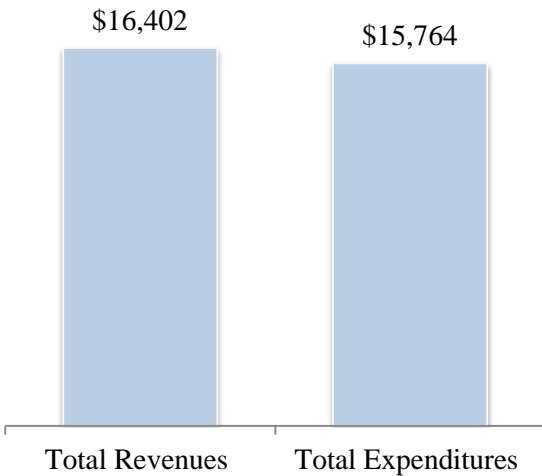
Revenue by Source for 2014-15 School Year



Select Expenditures for 2014-15 School Year

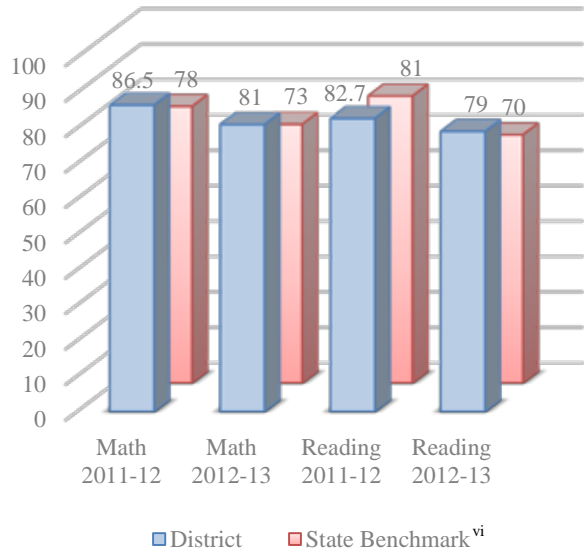


Dollars Per Student 2014-15 School Year



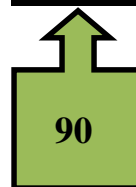
Academic Information

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}
Hereford Elementary	82.9	84	11	77	7	No Designation
Marlborough Elementary	78.8	80	7	76	6	No Designation
Upper Perkiomen HS	94.6	80	7	93	23	No Designation
Upper Perkiomen MS	89.2	83	10	79	9	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 October 16, 2013, resulted in a finding and an 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 16, 2013

Prior Finding: **Errors in Reporting Membership for Nonresident Foster Children Resulted in a Reimbursement Overpayment of \$22,143**

Prior Finding
Summary:

During our prior audit, we found reporting errors in the District's pupil membership reports submitted to PDE for the 2008-09 and 2009-10 school years. District personnel failed to reclassify two non-resident children that were adopted during the 2008-09 school year. Additionally, District staff miscoded these children for the entire 2009-10 school year and inaccurately reported the District's membership data for that period.

Prior
Recommendations:

We recommended that the District should:

1. Review PDE instructions for categorizing non-resident and resident students.
2. Develop policies and procedures for conducting reconciliations between the information in the District's student information system (SIS) and the information it reports to PDE.
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.

We also recommended that PDE should:

5. Adjust the District's allocations to resolve the \$22,143 overpayment.

Current Status: During our current audit, our review revealed District administrators took appropriate corrective action and implemented our recommendations from the prior audit. The District has updated its SIS and made changes to reporting procedures for child accounting data. As of February 4, 2016, PDE had not adjusted the District's allocations to resolve the \$22,143 overpayment. Therefore, we again recommend PDE resolve the overpayment.

Prior Observation: Board Approved Generous Benefits for the Former Superintendent Totaling Approximately \$228,682

Prior Observation Summary:

As part of our prior audit, we reviewed the District's employment contracts with its former Superintendent. We found that the District's Board of School Directors (Board) had approved contracts and contract amendments that had provided the former Superintendent with excessive compensation and retirement benefits.

Prior Recommendations:

We recommended that the District should:

1. Follow the terms and conditions of the employment contract.
2. Consider limiting amendments during a contract that would directly benefit an employee at the taxpayers' expenses.
3. Consider limiting contracts to the three year minimum as stated in the Public School Code (PSC), Section 1073, which should minimize the need for amendments to the contract.
4. Review the cost of providing six years of post-retirement health insurance to an employee as it could be considered excessive.
5. Review PSC, Section 1073, in regards to limiting compensation or unused sick leave in new employment contracts after the effective date of November 1, 2012.

Current Status:

We found that the District did implement our prior audit recommendations to address our concerns of generously paid benefits. The Board has also made the following changes: limited amendments to contracts, the District no longer offers post-retirement health insurance, and has reviewed the process for payment of sick leave to ensure compliance with contracts and the PSC. Since November 1, 2012, contracts have been approved which comply with the PSC, Section 1073.

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:

- Administrator Contract Buy-out
- Data Integrity
- 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 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(s) contain adequate termination provisions?
 - To address this objective, we reviewed the contracts, settlement agreements, board meeting minutes, board policies, and payroll records for all three of the contracted administrators who retired or separated from employment with the District during the period July 1, 2012 through June 30, 2015. We reviewed these three former administrator to determine the total cost of the buy-out, the reasons for the termination/settlement, whether the contract contained adequate termination provisions, and whether the termination provisions were followed.
- ü Did the District ensure that the membership data it reported in the Pennsylvania Information Management System was accurate, valid, and reliable?
 - To address this objective, we tested 5 of 19 high school students who had more than ten consecutive days of unexcused absences during the 2015-16 school year to verify that students were in fact removed from rolls or that the LEA is actively pursuing to determine the student's status.

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 for the period of July 1, 2012 through June 30, 2015. In addition, we conducted on-site reviews at three out of the District's four school buildings (one from each education level) 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 5 of the 16 bus drivers hired by the District's bus contractor, during the time period from October 17, 2012 through January 15, 2016, 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, 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.