

PERFORMANCE AUDIT

Halifax Area School District Dauphin County, Pennsylvania

December 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Michele M. Orner, Superintendent
Halifax Area School District
3940 Peters Mountain Road
Halifax, Pennsylvania 17032

Mr. Brad Harker, Board President
Halifax Area School District
3940 Peters Mountain Road
Halifax, Pennsylvania 17032

Dear Dr. Orner and Mr. Harker:

We have conducted a performance audit of the Halifax Area School District (District) for the period July 1, 2012, through June 30, 2015, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Transportation Operations
- Contracting
- Administrator Contract Buy-Out
- Bus Driver Requirements
- School Safety

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 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, except as noted in the following finding:

- The District Incorrectly Reported Transportation Costs to PDE Resulting in PDE Overpaying the District \$10,461.

Dr. Michele M. Orner
Mr. Brad Harker
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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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

November 28, 2016

cc: **HALIFAX AREA SCHOOL DISTRICT** Board of School Directors

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Background Information

School Characteristics 2015-16 School Year ^A	
County	Dauphin
Total Square Miles	83
Resident Population ^B	7,606
Number of School Buildings	3 ¹
Total Teachers	101
Total Full or Part-Time Support Staff	72
Total Administrators	12
Total Enrollment for Most Recent School Year	1,019
Intermediate Unit Number	15
District Vo-Tech School	Dauphin County Vo-Tech

A - Source: Information provided by the District administration and is unaudited.

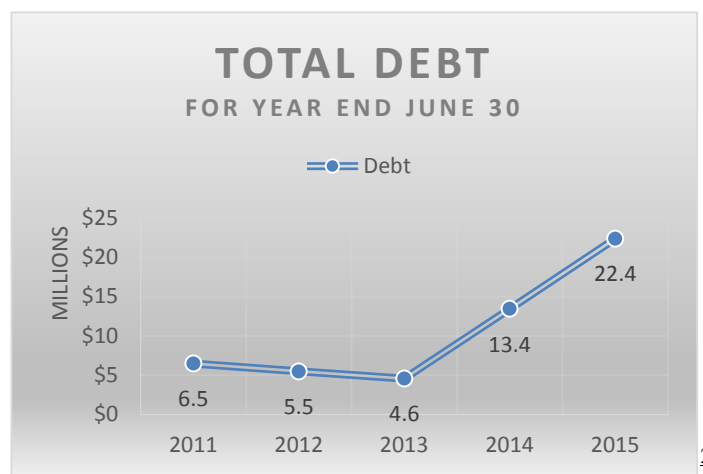
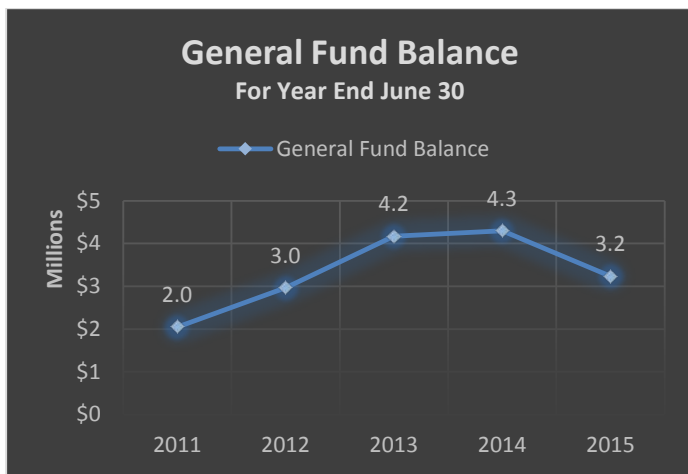
B - Source: United States Census
<http://www.census.gov/2010census>

Mission Statement^A

“The Halifax Area School District, in partnership with students, parents, and community members, will provide each child with a safe, supportive, and challenging environment that will empower and inspire them to reach their potential as prepared, engaged and responsible citizens.”

Financial Information

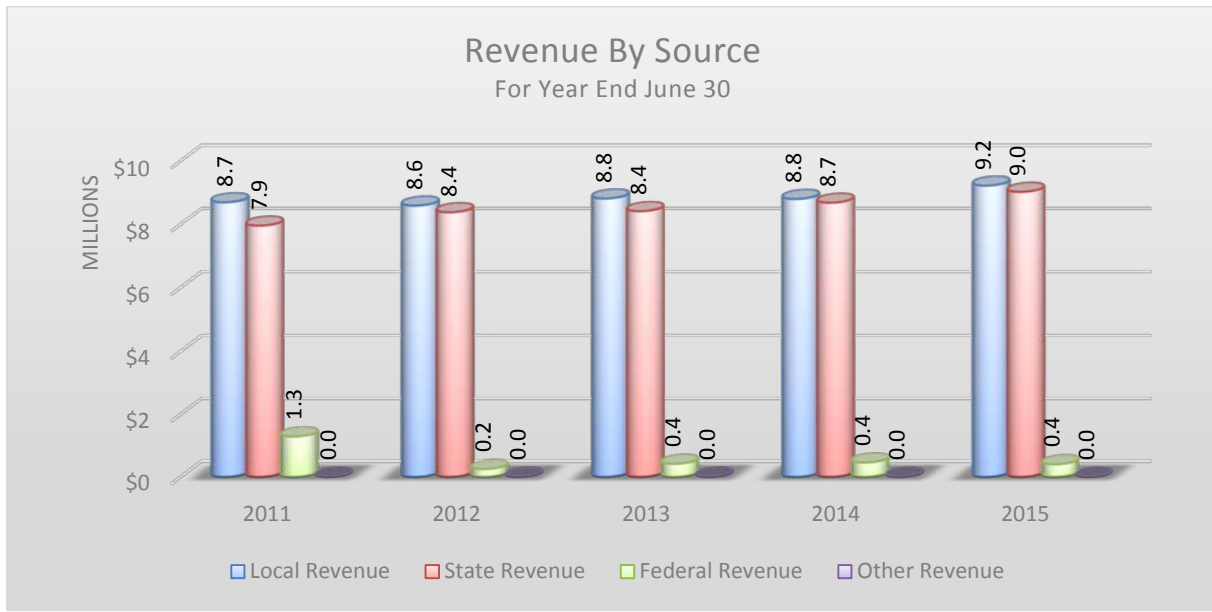
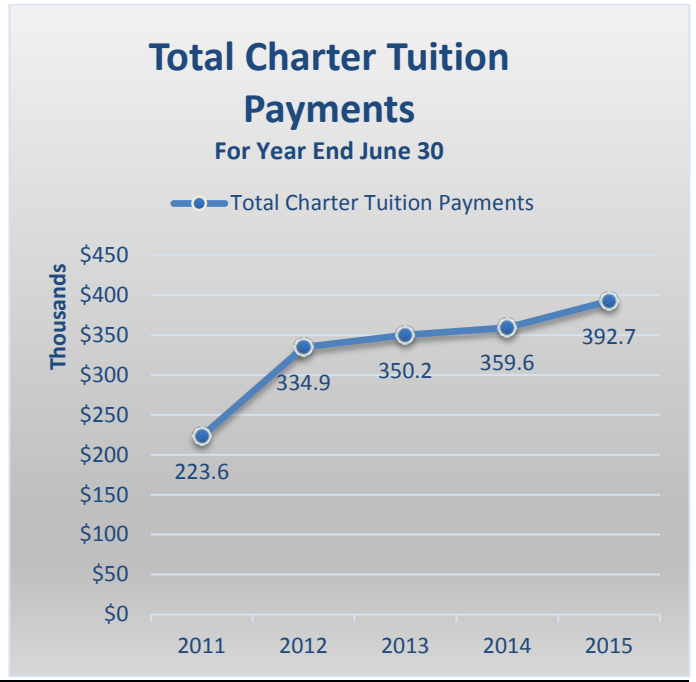
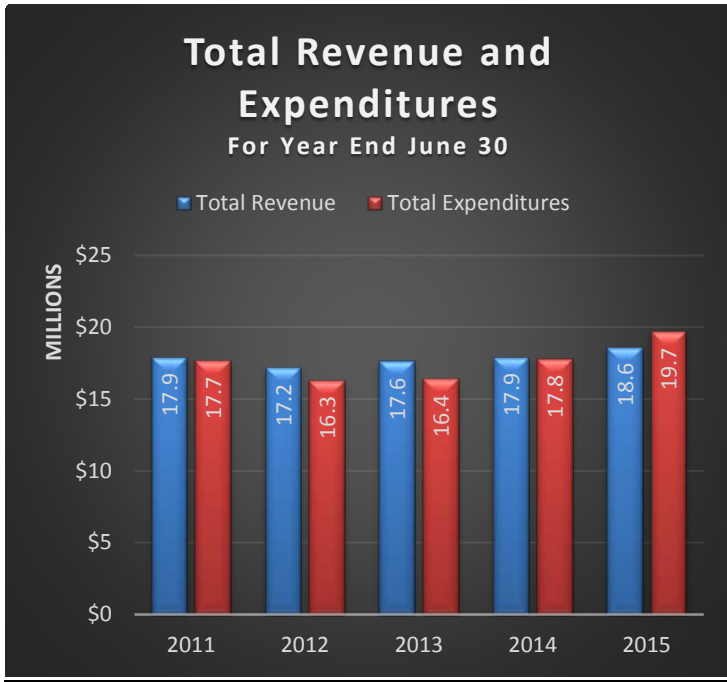
The following pages contain financial information about the District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE’s public website. This information was not audited and is presented for **informational purposes only**.



¹ The high school and middle school share the same building.

² Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits and Compensated Absences.

Financial Information Continued



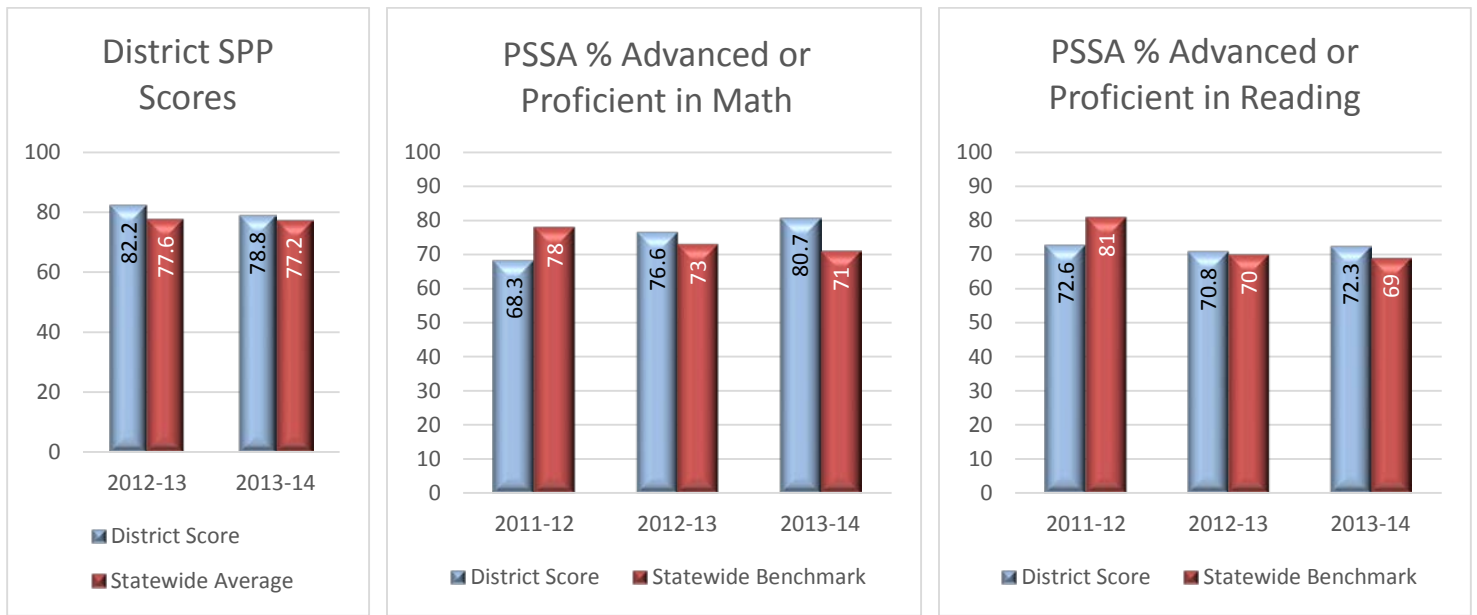
Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.³ These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.⁴ PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.⁵ District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Halifax Area SD</i>	82.2	78.8	68.3	76.6	80.7	72.6	70.8	72.3
<i>SPP Grade⁶</i>	B	C						



³ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

⁴ Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

⁵ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. 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 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁶ The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

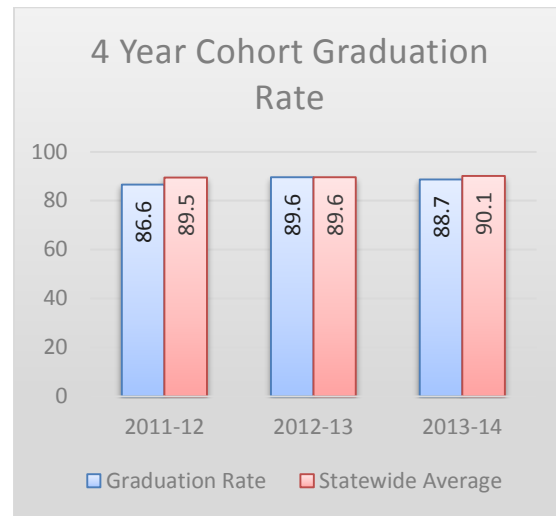
Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District's school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.⁷

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Enders-Fisherville Elementary School</i>	84.8	85.2			80.5			77.9
<i>Halifax Area Elementary School</i>	76.3	69.8	77.7	79.4	80.5	68.6	69.7	68.1
<i>Halifax Area High School</i>	78.4	82.6	45.9	65.6	84.1	70.2	67.2	69.1
<i>Halifax Area Middle School</i>	89.3	77.4	81.3	84.7	77.9	79.1	75.4	74.2

4 Year Cohort Graduation Rates

The cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year.⁸



⁷ PDE's data does not provide any further information regarding the reason a score was not published.

⁸ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

Finding

Finding

The District Incorrectly Reported Transportation Costs to PDE Resulting in PDE Overpaying the District \$10,461

Criteria relevant to the finding:

Section 2541 of the Public School Code, 24 P.S. § 25-2541, provides that school districts shall be paid by the Commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by PDE, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable pupil transportation incurred by the District by the District's aid ratio.

Section 2543 provides that annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year.

Additionally, PDE's instructions for completing the end-of-year transportation service forms (PDE-1049) provide the following definition.

Amount Paid Contractor – Enter the total amount paid to this contractor for the service described for the vehicles listed under this Notification Number. This amount should include payment for any activity run service (some schools refer to this as a late run), but should not include payment for field trips, athletic events, extended school year or any service provided other than to-and-from school transportation. (Emphasis added)

The District was overpaid a total of \$10,461 in transportation reimbursement from PDE. These overpayments were due to the District improperly reporting transportation costs. Specifically, during the 2013-14 and 2014-15 school years, the District incorrectly reported costs for transporting students who attended school beyond the regular school year, which is called an extended school year (ESY). Reporting costs incurred during ESYs resulted in the \$10,461 overpayment. The District also improperly reported ESY costs for the 2011-12 and 2012-13 school years; however, those errors did not produce a change to the District's transportation reimbursement. Therefore, no overpayment occurred.

School districts are required to report reimbursable transportation costs to PDE at the completion of each school year. PDE uses this information to calculate each district's reimbursement amount. ESY costs are not reimbursable and should not be included in transportation cost data reported to PDE.

During our review of the District's transportation data reported to PDE for the 2011-12 through 2014-15 school years, we found the District incurred costs to transport special needs students who attended school beyond the regular school year. These costs were incorrectly included and reported to PDE as reimbursable transportation costs.

The following chart summarizes the District’s reporting errors by school year and the resulting effect on transportation reimbursement.

Halifax Area School District		
Incorrect Reporting of ESY Transportation Costs by Year		
School Year	Incorrectly Reported ESY Costs	Excess Reimbursement Received by District
2011-12	\$ 1,257	\$ 0
2012-13	\$ 2,335	\$ 0
2013-14	\$ 623	\$ 623
2014-15	<u>\$ 9,838</u>	<u>\$ 9,838</u>
Total	<u>\$14,053</u>	<u>\$10,461</u>

School districts are reimbursed for transportation costs after each school year. The reimbursement amount received is based on the lesser of the state transportation formula or the amount paid to the transportation contractor. For the 2011-12 and 2012-13 school years, the District’s state transportation formula was less than the transportation contractor cost; therefore, incorrectly including ESY costs had no effect on the reimbursement received by the District. However, the District was reimbursed based on the amount paid to the contractor for the 2013-14 and 2014-15 school years, since contractor cost was less than the state formula. Therefore, when ESY costs are deducted from the contractor costs in the 2013-14 and 2014-15 school years, the District’s costs eligible for reimbursement decreases.

These errors occurred because the District incorrectly believed that ESY costs were allowable reimbursable transportation costs.

We provided PDE with discrepancy reports detailing the errors in this finding. PDE will use these reports to verify the overpayments to the District. The District’s future transportation reimbursement payments will be reduced by the amount of the overpayments recomputed by PDE.

Recommendations

The *Halifax Area School District* should:

1. Develop internal procedures to ensure only eligible transportation reimbursement costs are reported to PDE, such as an eligible transportation cost checklist or secondary review.
2. Revise contractor costs reported to PDE for years subsequent to our audit period if the costs for ESY transportation were incorrectly reported.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to recover the transportation reimbursement overpayments of \$10,461.

Management Response

Management agreed with the finding and provided the following response:

It was the assumption of the school district that ESY transportation was a reimbursable cost as long as it was covered in the student's IEP. This was explained to the business manager two state audits ago by a state auditor.

Corrective action plan will consist of establishing a separate account to record ESY cost to avoid including it in the state reimbursement calculation. When the auditor and the business manager reviewed prior years, ESY mileage was never included, only cost.

Auditor Conclusion

It is encouraging the District has established a corrective action plan to address the proper recording and reporting of ESY costs. Since PDE is the regulatory agency, the District should seek PDE's guidance when questions arise regarding the reporting of transportation data. We will determine the effectiveness of the District's corrective action during the next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on June 17, 2013, resulted in one finding, as shown below. 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 PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on June 17, 2013

Prior Finding: **Errors in Reporting Pupil Transportation Data Resulted in an Overpayment of \$402,599**

Prior Finding Summary: Our prior audit of the District's 2008-09 and 2009-10 pupil transportation records submitted to PDE found reporting errors, which resulted in overpayments of transportation reimbursement totaling \$198,299 in the 2008-09 school year and \$204,300 in the 2009-10 school year.

The errors in the 2008-09 and 2009-10 school years were caused by the contractor providing District personnel incorrect mileage reports for eight vehicles for both years.

Prior Recommendations: We recommended that the District should:

1. Use all means possible to recover the monies due to them from the contractor.
2. Develop an effective process to verify all route mileage and other information provided by its transportation contractor, especially when that information is forwarded to PDE.
3. Verify that the most cost effective routes are being utilized.

We also recommended that PDE should:

4. Adjust the District's transportation subsidy to recover the overpayment for the years of audit.

Current Status: Our review of final transportation reports and accompanying District documents for the 2010-11 through 2014-15 school years showed the District did implement all of our recommendations. The District received multiple payments from its former contractor paid through the United States Treasury. The District received a payment in the amount of \$294,810 from the United States Treasury on behalf of the

former contractor in March 2015. The District also received \$35 in December 2015 and \$353 in April 2016 from the U.S. Treasury on behalf of the former transportation contractor. As of November 8, 2016, the District has received a total of \$295,198 in restitution from its former contractor.

We also determined that mileage for the 2010-11 through 2014-15 school years reported to PDE was accurate. Furthermore, we noted the District now utilizes Transfinder software, purchased and used beginning with the 2013-14 school year, to aid in creating the most cost effective routes to transport students. District personnel with knowledge of various nuances of the transportation operations and bus route creation also participate in this process.

As of November 8, 2016, PDE has not adjusted the District's transportation subsidies to recover the \$406,030 overpayment revealed during the prior audit.

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,⁹ is not a substitute for the local annual financial audit required by the Public School Code 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 controls¹⁰ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which 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.

⁹ 72 P.S. §§ 402 and 403.

¹⁰ 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, 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, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years ending June 30, 2012, to June 30, 2015. 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:

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- Transportation Operations
 - Contracting
 - Administrator Contract Buy-Out
 - Bus Driver Requirements
 - School Safety
- ✓ Did the District ensure that vehicle mileage data provided by its transportation contractors was reasonable prior to reporting the data to PDE? Did the District correctly report transportation cost data to PDE?
- To address this objective, we selected all vehicles for the 2010-11 school year (12 vehicles) belonging to the District's former bus contractor who was convicted of fraud for inflating vehicle mileage. We also haphazardly selected 25 percent of the vehicles belonging to the District's other bus contractors - 7 out of 28 vehicles for the 2013-14 school year and 8 out of 31 vehicles for the 2014-15 school year. We reviewed documentation to determine that vehicle mileage for the selected vehicles was accurately reported to PDE. In addition, we performed a contractor cost analysis to determine if the contractors' costs were accurately reported to PDE for the 2011-12 through 2014-15 school years. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?¹¹
- To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of all vendors who provided goods and services to the District during the 2014-15 school year. We haphazardly selected 4 out of 82 vendors for detailed testing. Testing included a

¹¹ See 24 P.S. §§ 5-508, 7-751; 65 Pa.C.S. § 1101 *et seq.*

review of the procurement documents to determine if the contract was procured in accordance with the Public School Code 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 of School Directors' Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issues.

- ✓ 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 contracts, board meeting minutes, and payroll and leave records for the only individually contracted administrator who separated from the District during the period July 1, 2012, through August 30, 2016. We also reviewed the current employment contract for the individual hired to replace this administrator to determine if the contract contained adequate termination provisions. Our review of this objective did not disclose any reportable issues.

- ✓ 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?¹² Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we randomly selected 10 of the 28 bus drivers currently employed by the District's bus contractors to transport students 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. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District take appropriate actions to ensure it provided a safe school environment?¹³
 - To address this objective, we reviewed a variety of documentation including, but not limited to, safety plans, training schedules, anti-bullying policies, and after action reports. Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials and, if deemed necessary, PDE.

¹² 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*.

¹³ 24 P.S. § 13-1301-A *et seq.*

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

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Harrisburg, PA 17120

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