

LIMITED PROCEDURES ENGAGEMENT

Highlands School District
Allegheny County, Pennsylvania

March 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Michael A. Bjalobok, Superintendent
Highlands School District
1500 Pacific Avenue, P.O. Box 288
Natrona Heights, Pennsylvania 15065

Mrs. Debbie Beale, Board President
Highlands School District
1500 Pacific Avenue, P.O. Box 288
Natrona Heights, Pennsylvania 15065

Dear Dr. Bjalobok and Mrs. Beale:

We conducted a Limited Procedures Engagement (LPE) of the Highlands School District (District) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period July 1, 2012, through June 30, 2015, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code (72 P.S. §§ 402 and 403), but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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

- Did the District have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - The Right-to-Know Law
 - The Sunshine Act
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the District comply with the relevant requirements in the Right-to-Know Law and the Sunshine Act?
- Did the District take appropriate corrective action to address the finding and observation made in our prior audit?

Dr. Michael A. Bjalobok
Mrs. Debbie Beale
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Our engagement found that the District properly implemented policies and procedures for the areas mentioned above and complied, in all significant respects, with relevant requirements.

We appreciate the District's cooperation during the conduct of the engagement.

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

March 8, 2017

cc: **HIGHLANDS SCHOOL DISTRICT** Board of School Directors

Background Information

School Characteristics 2015-16 School Year ^A	
County	Allegheny
Total Square Miles	22.5
Resident Population ^B	20,627
Number of School Buildings	5
Total Teachers	199
Total Full or Part-Time Support Staff	279
Total Administrators	16
Total Enrollment for Most Recent School Year	2,547
Intermediate Unit Number	3
District Vo-Tech School	Forbes Road CTC

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

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

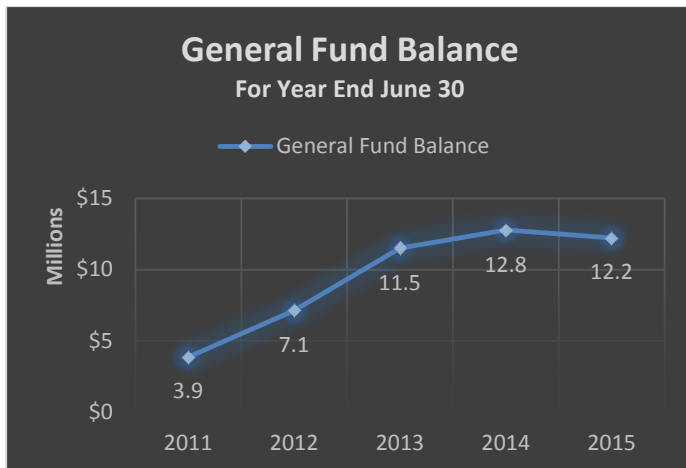
C - Does not include administration buildings.

Mission Statement^A

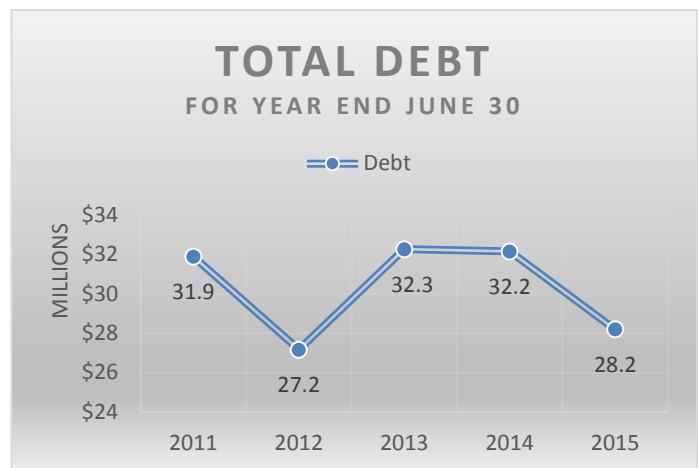
To create a quality, caring environment fiscally efficient for academic achievement that will enable students to achieve their highest potential while involving the community and businesses to share in preparing our students to function as effective citizens in an ever changing global community.

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**.

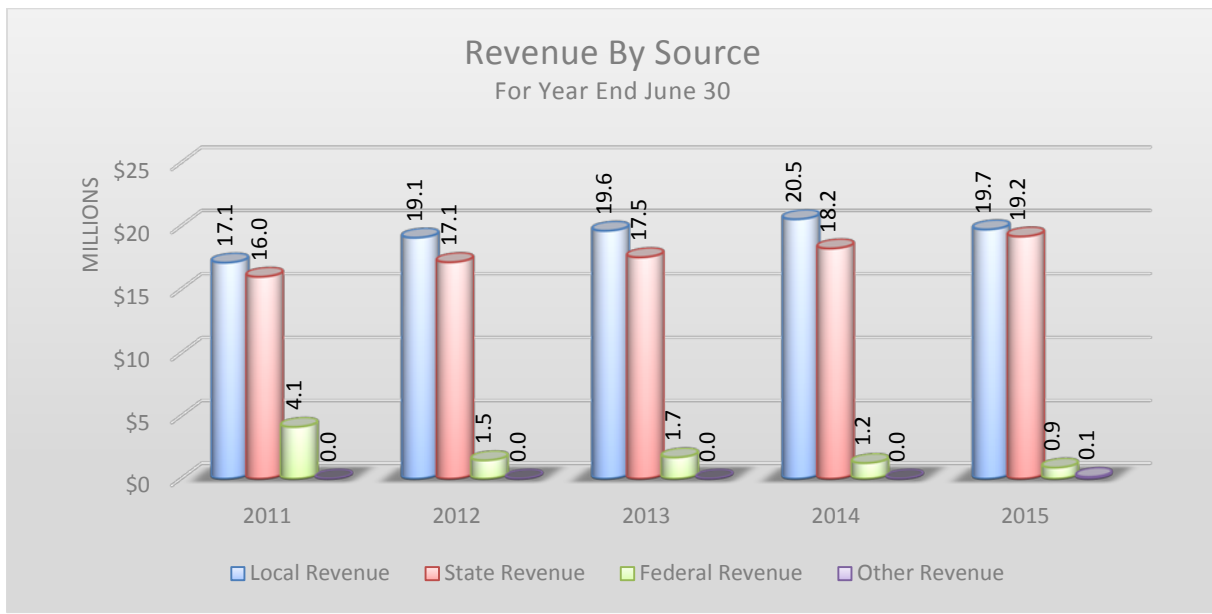
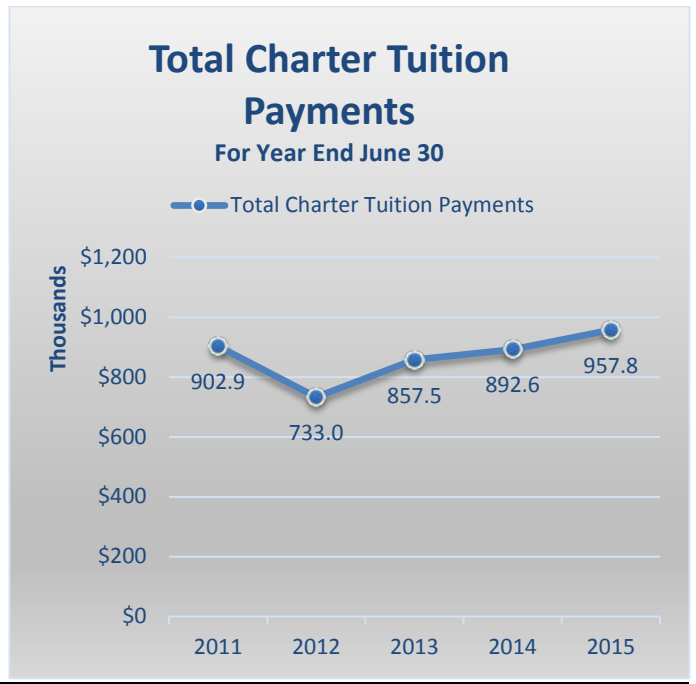
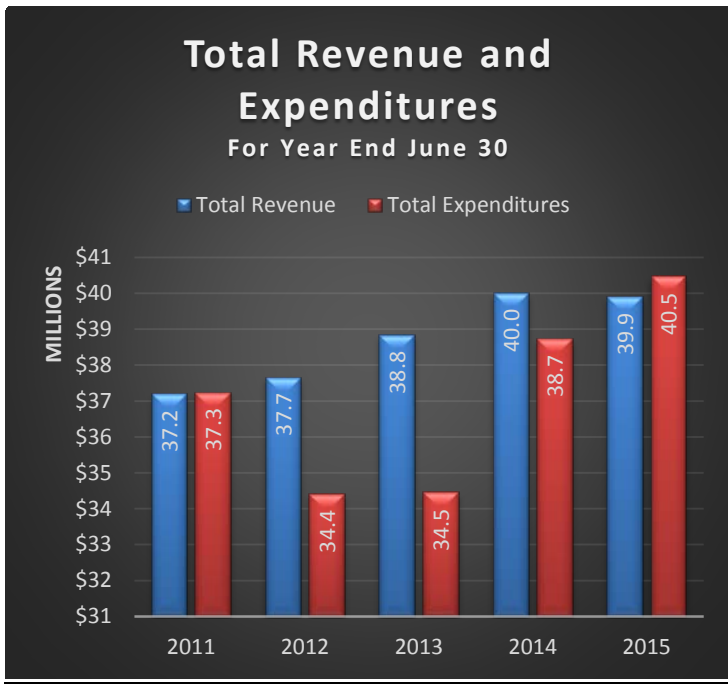


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



Note: 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



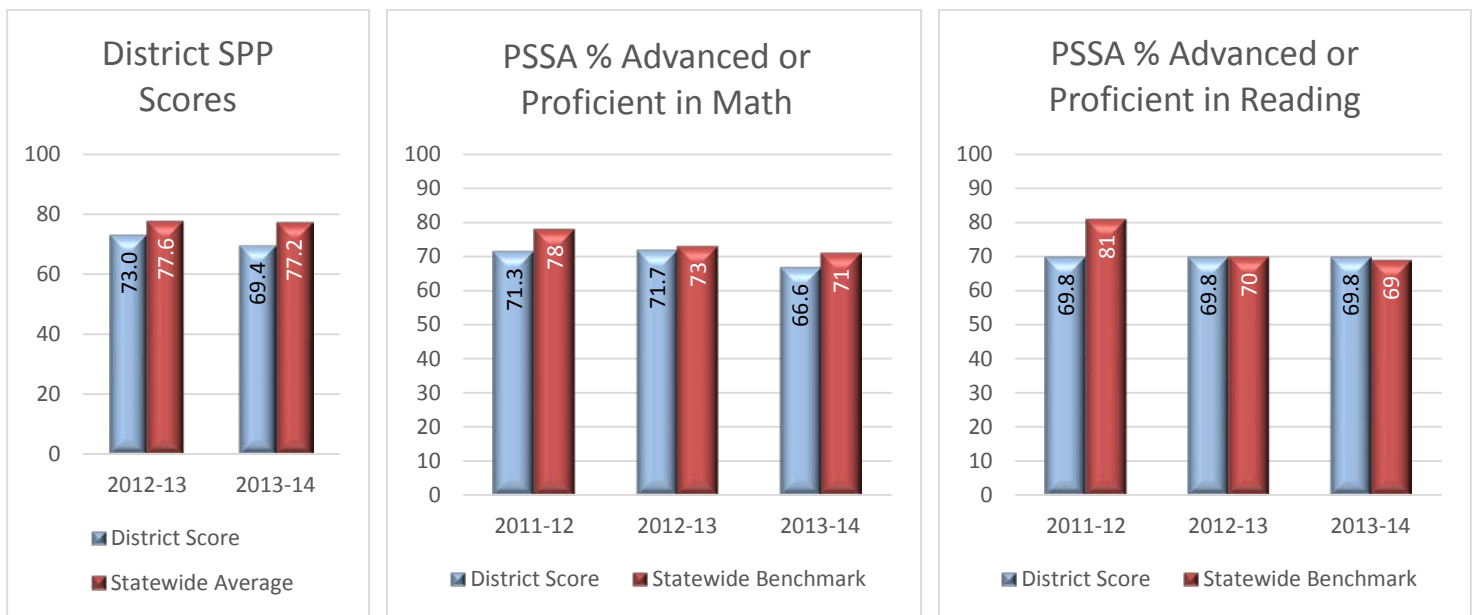
Academic Information

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.¹ 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.² PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.³ 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>Highlands SD</i>	73.0	69.4	71.3	71.7	66.6	69.8	69.8	69.8
<i>SPP Grade⁴</i>	C	D						



¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

² Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

³ 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.

⁴ 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).

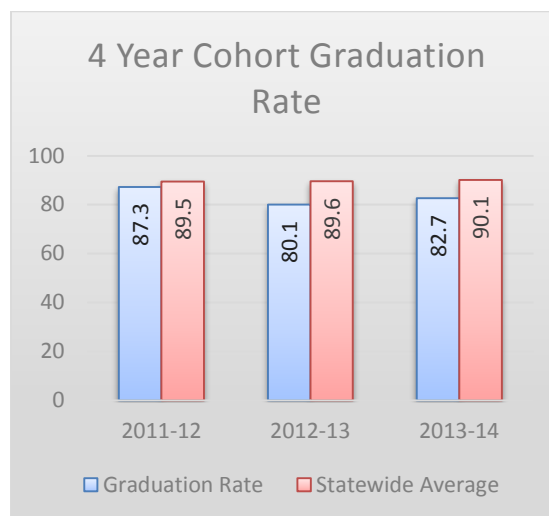
Individual School Building SPP and PSSA Scores

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.⁵

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>Fairmount Primary Center</i>	81.1	80.4			68.1			74.7
<i>Fawn Primary Center</i>	81.2	80.4			68.1			74.7
<i>Grandview Upper Elementary School</i>	72.3	62.1	80.7	79.9	67.9	71.8	66.9	64.3
<i>Highlands Middle School</i>	68.3	63.6	80.1	77.1	72.8	75.6	67.8	65.1
<i>Highlands Senior High School</i>	62.2	60.5	53.2	58.3	56.0	62.0	74.7	70.0

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.⁶



⁵ PDE's data does not provide any further information regarding the reason a score was not published.

⁶ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on June 26, 2014, resulted in one finding and one observation, as shown below. As part of our current engagement, 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 June 26, 2014

Prior Finding: **Membership Reporting Errors and a Lack of Internal Controls Resulted in the District Not Receiving Their Entitled Reimbursement**

Prior Finding Summary: During our prior audit, we found student membership reports submitted to PDE by the District, for the 2008-09 through 2011-12 school years, contained reporting errors and a lack of documentation to support the residency classification for the children placed in private homes (foster children).

Prior Recommendations: Our prior audit finding recommended that the District should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PDE's Pennsylvania Information Management System (PIMS) with the information in the District's student information system.
2. Request additional training from PDE to ensure that the personnel tasked with PIMS reporting thoroughly understand PDE's guidelines and instructions.
3. Strengthen controls over the enrollment process to ensure pupil membership residency is reported in accordance with PDE guidelines and instructions.
4. Gather and reconcile all letters from agencies for reported foster children and ensure that proper data pertaining to these students has the location where the natural parents reside and if a stipend is received for those students. This will ensure the District reported membership for these students is properly classified.
5. Review reports submitted subsequent to the years and submit revised reports to PDE, if errors are found.

We also recommended that PDE should:

6. Review the District's \$45,124 tuition payment and determine the appropriateness of the entitlement.
7. Adjust the District's future allocations to correct the \$9,170 underpayment of tuition for foster children.

Current Status:

During our current review, we found that the District has implemented the recommendations from our prior audit. The District has established internal controls that include reconciliation of data uploaded to PIMS prior to submission. District officials responsible for PIMS entry and submission of PIMS data to PDE have been provided training on these subjects. In addition, the District continues to obtain and reconcile agency letters to ensure that foster students are properly classified. The District reviewed subsequent years of membership reports submitted to PDE and did not find errors. However, as of the last day of our current review, February 10, 2017, PDE has not implemented our recommendations. We again recommend that PDE makes adjustments to future allocations to correct the \$9,170 underpayment. PDE should also ensure that they are provided adequate supporting documentation from the District to determine the appropriateness of the \$45,124 entitlement.

Prior Observation:

Transportation Contractor Paid Over State Formula

Prior Observation
Summary:

During our prior audit of the District's contracted student transportation costs for the school years ending June 30, 2009, through June 30, 2012, we found that the contracted costs paid to one of the District's transportation contractors was substantially more than PDE's final formula allowance, which is used to determine reimbursement of pupil transportation services.

Prior Recommendations: Our prior audit observation recommended the District should:

1. Ensure that, prior to negotiating a new contract, the Board of School Directors and administrative personnel are cognizant of the state's final formula allowance cost formula.
2. Routinely seek competitive bids for all of the District's pupil transportation services to ensure the most efficient cost to the District and its taxpayers.

3. Prepare pupil transportation contracts to ensure the local share is as minimal as possible by establishing the base rate and increases in line with PDE's final formula allowance for all pupil transportation costs.
4. Have District personnel continuously monitor and justify any increase in the District's pupil transportation costs.

Current Status:

The District's prior transportation contract expired June 30, 2015, and again the District did not seek competitive bids for this service. The District renewed their transportation contract with the same vendor. The current contract is in effect for the 2015-16 through 2018-19 school years. District officials stated that since they are not required to bid for transportation services and the District is satisfied with their current vendor that they did not consider seeking competitive bids. While the District is correct that the Public School Code does not require districts to seek competitive bids for transportation, we continue to recommend that the District seek competitive bids for this service in an effort to reduce transportation costs. By seeking competitive bids for this service, the District could possibly reduce transportation costs and bring transportation costs closer to PDE's final formula cost allowance.

Distribution List

This letter 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 Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

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Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
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Harrisburg, PA 17105

Mr. Nathan Mains

Executive Director
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050

This letter is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the letter 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.