

PERFORMANCE AUDIT

Pocono Mountain School District Monroe County, Pennsylvania

May 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Elizabeth Robison, Superintendent
Pocono Mountain School District
P.O. Box 200
Swiftwater, Pennsylvania 18370

Mr. Rusty L. Johnson, Board President
Pocono Mountain School District
P.O. Box 200
Swiftwater, Pennsylvania 18370

Dear Dr. Robison and Mr. Johnson:

We have conducted a performance audit of the Pocono Mountain 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.

- 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

May 20, 2016

cc: **POCONO MOUNTAIN SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

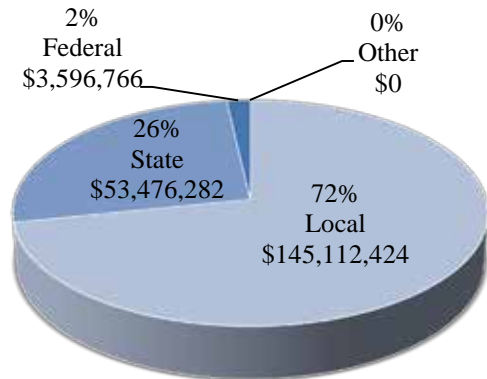
School Characteristics 2014-15 School Year ⁱⁱ	
County	Monroe
Total Square Miles	304
Resident Population ⁱⁱⁱ	64,586
Number of School Buildings	9 ¹
Total Teachers	817
Total Full or Part-Time Support Staff	457
Total Administrators	68
Total Enrollment for Most Recent School Year	9,293
Intermediate Unit Number	20
District Vo-Tech School	Monroe Career & Technical Institute

Mission Statement

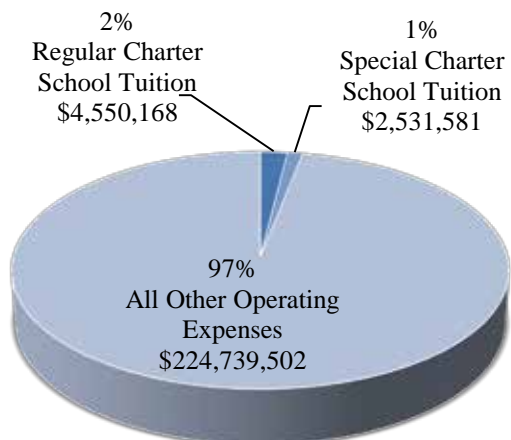
“To prepare all students for tomorrow’s challenges and opportunities.”

Financial Information

Revenue by Source for 2014-15 School Year

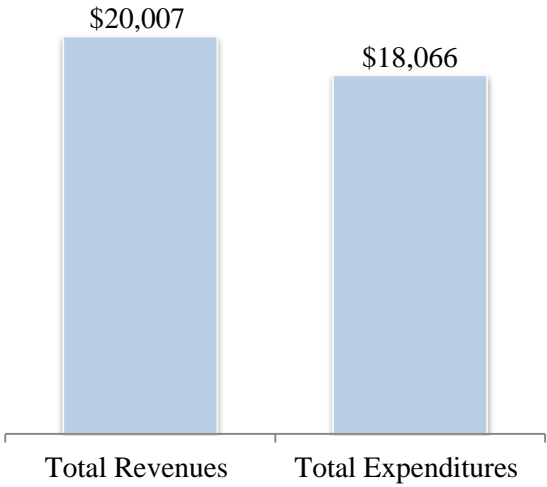


Select Expenditures for 2014-15 School Year



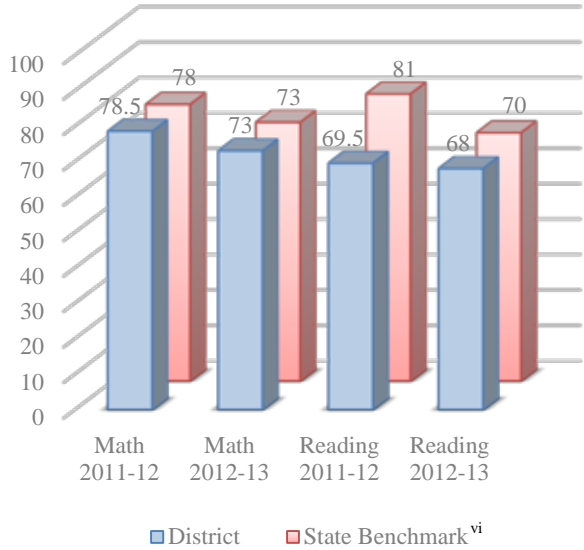
¹ Barrett Elementary and Pocono Elementary Center buildings closed at the end of the 2012-13 school year. In addition, Swiftwater Intermediate School (grades four-six) was opened for the 2013-14 school year. Therefore, nine current buildings will not agree with the ten school buildings reported on page 3 of this report.

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



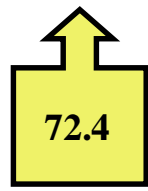
Academic Information

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}
Barrett Elementary Center ²	92.2	N/A	N/A	N/A	N/A	N/A
Clear Run Elementary Center ³	79.3	N/A	N/A	N/A	N/A	No Designation
Clear Run Intermediate	66.9	68	5	56	14	No Designation
Pocono Elementary Center ⁴	77.2	N/A	N/A	N/A	N/A	N/A
Pocono Mountain East High School	75.2	71	2	81	11	N/A
Pocono Mount East Junior High School	78.4	79	6	79	9	N/A
Pocono Mountain West High School	62.1	64	9	71	1	No Designation
Pocono Mountain West Junior High School	74.4	67	6	72	2	No Designation
Swiftwater Elementary Center	79.9	76	3	64	6	N/A
Tobyhanna Elementary Center	78.3	83	10	70	---	N/A

² Barrett Elementary Center closed at the conclusion of the 2012-13 school year. PSSA tests were not administered.

³ Clear Run Elementary Center educates grades kindergarten – grade two only. PSSA are not administered to those grades.

⁴ Pocono Elementary Center closed at the conclusion of the 2012-13 school year. PSSA tests were not administered.

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 11, 2013, resulted in two 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 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 11, 2013

Prior Finding No. 1: Continued General Fund Deficit Balance

Prior Finding Summary:

Our prior review of the District's annual financial reports, independent auditor's report, and General Fund budgets for fiscal years ended June 30, 2010, 2011, and 2012, found deficit General Fund balances of \$3,459,402, \$18,996,061, and \$11,913,782, respectively.

Prior Recommendations:

We recommended that the District should:

1. With direction and advice of the Board of School Directors (Board), put into place a plan to systematically reduce the fund balance deficit in the General Fund.
2. Provide the Board with monthly budget status reports, including a comparison of budget versus actual expenditures for month, and year-to-date.

Current Status:

Our current review found the District did implement our prior recommendations. The District took extensive action to increase its fund balance, including closing schools, reducing staff, creating policy, and debt restructuring. In July 2012, the District implemented a long-range financial plan detailing ways to address the financial needs of the District. The District provides monthly budget status reports to the Board. The District's current financial position is stable. The General Fund balance has increased for the past three fiscal years.

Prior Finding No. 2: Continued Errors in Reporting Pupil Membership Resulted in Subsidy and Reimbursement Net Overpayments of \$165,515

Prior Finding Summary:

Our prior audit of the District found that it submitted inaccurate pupil membership reports to PDE for the 2004-05, 2005-06, 2006-07, and 2007-08 school years. Errors in reporting resident and non-resident membership days resulted in net subsidies and reimbursement overpayments of \$298,789 for the 2004-05 and 2005-06 school years and \$188,299 for the 2006-07 and 2007-08 school years.

Our prior audit of the District's membership reports submitted to PDE for the 2008-09 and 2009-10 school years found that District personnel failed to implement our recommendations and continued to incorrectly report non-resident pupil membership in both years, resulting in a net overpayment of \$165,515.

Prior Recommendations:

We recommended that the District should:

1. Provide regular in-service training of staff responsible for recording and reporting membership. This training should emphasize the importance of maintaining accurate records and the relationship of membership data to subsidies and reimbursements.
2. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
3. Implement controls to verify actual membership days to computer generated reports.
4. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
5. Compare letters for children placed in private homes (foster children) with District reports to ensure that student membership is properly classified.
6. Review subsequent years reports and if errors are found, submit revised reports to PDE.

We also recommended that PDE should:

1. Adjust the District's future allocation to recover the net overpayments of \$188,299 for the 2006-07 and 2007-08 school years, and \$298,789 for the 2004-05 and 2005-06 school years.
2. Adjust the District's future allocation to recover the net overpayments of \$165,515 for the 2008-09 and 2009-10 school years.

Current Status:

Our current review found the District did implement our prior recommendations. The District implemented a corrective action plan establishing adequate controls over child accounting procedures, hired a coordinator to input child accounting data, and developed a process of review.

PDE has adjusted the District's allocations to recover the 2004-05 through 2007-08 school years overpayments on May 31, 2013. PDE also recovered the 2008-09 and 2009-10 school years net overpayment on June 1, 2015.

Prior Observation:

Questionable Annuity Payment

Prior Observation Summary:

Our prior review of the District's board meeting minutes and vendor payment history reports found that the District made a \$12,162 payment into its former Superintendent's 403(b) Tax Sheltered Annuity retirement plan. A lack of clarity in the former Superintendent's original contract and a subsequent board resolution made it appear that this payment was an additional benefit not required by the contract. In addition, this confusion made it appear that the Board did not approve this payment.

Prior Recommendations:

We recommended that the District should:

1. Work with its solicitor to ensure that all contract provisions and board resolutions clearly document the Board's intentions.
2. Ensure all of the District's employment agreements and subsequent resolutions are as transparent as possible, so that the District's taxpayers can evaluate their appropriateness.

Current Status:

Our review of the current Superintendent's employment agreement found the District did implement our prior recommendations. The District worked with its solicitor to ensure that all contract provisions and board resolutions clearly document the Board's intentions and the resolutions are as transparent as possible, so that the District's taxpayers can evaluate their appropriateness.

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,⁵ 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, 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 controls⁶ 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.

⁵ 72 P.S. § 403.

⁶ 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:

- 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 LEA ensure that the student membership data reported to PDE in the Pennsylvania Information Management System was accurate, valid, and reliable?
 - o To address this objective, we randomly selected 21 of 124 non-resident children placed in foster homes who were educated by the District during the 2011-12 school year. We reviewed to ensure that the District had agency placing letters for all 21 students that supported the category of membership for these students.
- ü Did the District take appropriate actions to ensure it provided a safe school environment?
 - o To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted on-site reviews at three of the District's nine 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 outline in applicable laws?⁷ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?

⁷ 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.*

- To address this objective, we selected 5 of 27 bus drivers hired by the District, from July 1, 2013 through March 10, 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.

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 (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 material 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 material 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.