

PERFORMANCE AUDIT

Shade-Central City School District Somerset County, Pennsylvania

October 2018



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

Mr. John Krupper, Superintendent
Shade-Central City School District
203 McGregor Avenue
Cairnbrook, Pennsylvania 15924

Mr. Robert Mulcahy, Board President
Shade-Central City School District
203 McGregor Avenue
Cairnbrook, Pennsylvania 15924

Dear Mr. Krupper and Mr. Mulcahy:

We have conducted a performance audit of the Shade-Central City School District (District) for the period July 1, 2013 through June 30, 2017, 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
- Financial Stability
- Bus Driver Requirements

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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 bulleted areas listed above, except as noted in the following finding:

- The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$11,935

Mr. John Krupper
Mr. Robert Mulcahy
Page 2

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

October 2, 2018

cc: **SHADE-CENTRAL CITY SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Background Information	1
Finding	9
Finding – The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$11,935	9
Status of Prior Audit Findings and Observations	12
Appendix: Audit Scope, Objectives, and Methodology	14
Distribution List	17

Background Information

School Characteristics 2017-18 School Year ^A	
County	Somerset
Total Square Miles	69
Number of School Buildings	2
Total Teachers	39
Total Full or Part-Time Support Staff	23
Total Administrators	2
Total Enrollment for Most Recent School Year	416
Intermediate Unit Number	8
District Vo-Tech School	Somerset County Career & Technology Center

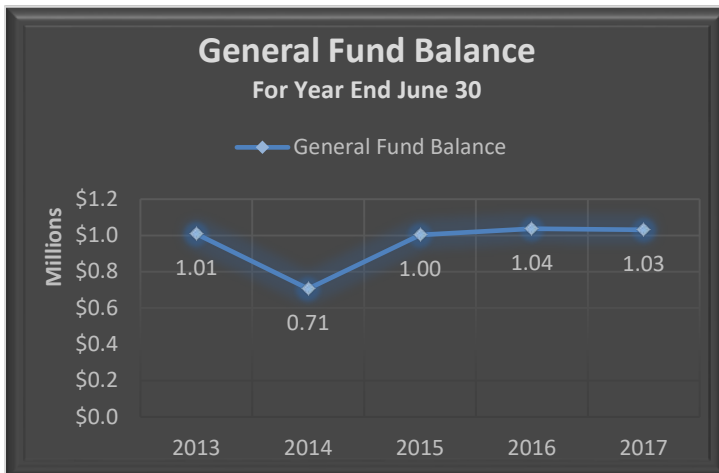
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

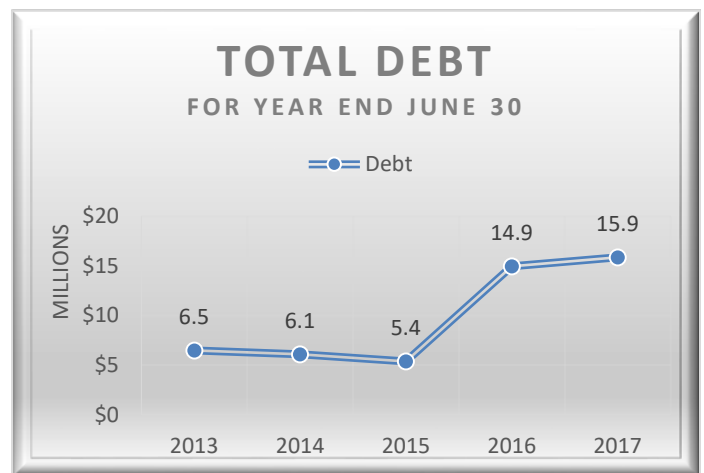
Support all students to achieve academic success and become positive, productive members of our school, community and society.

Financial Information

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

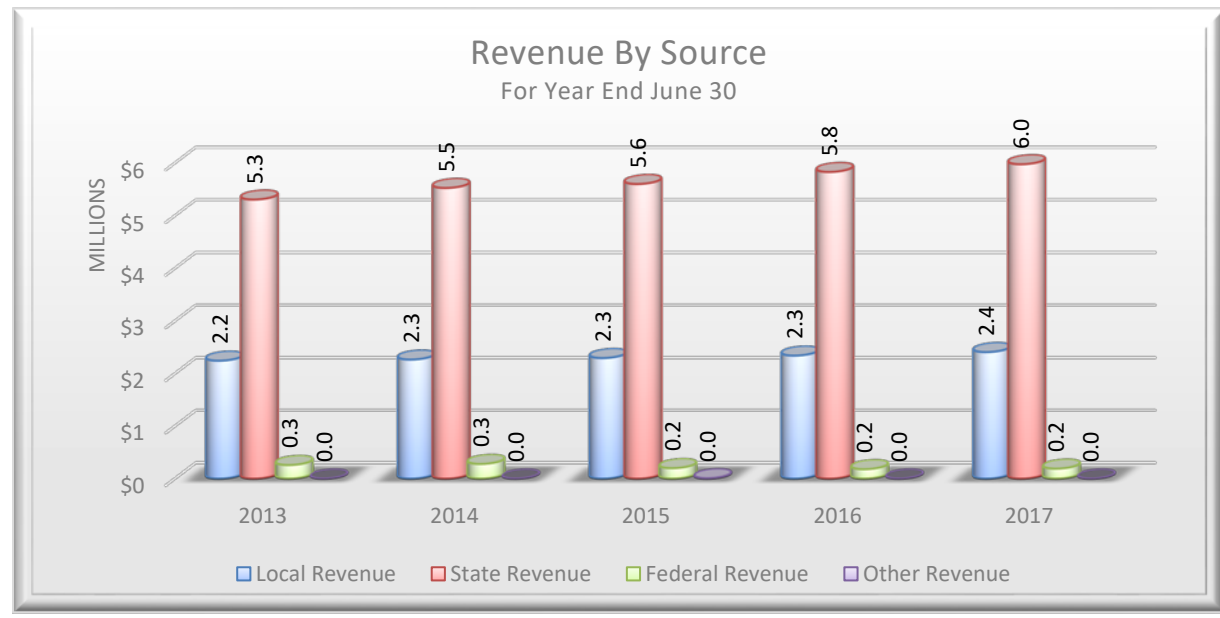
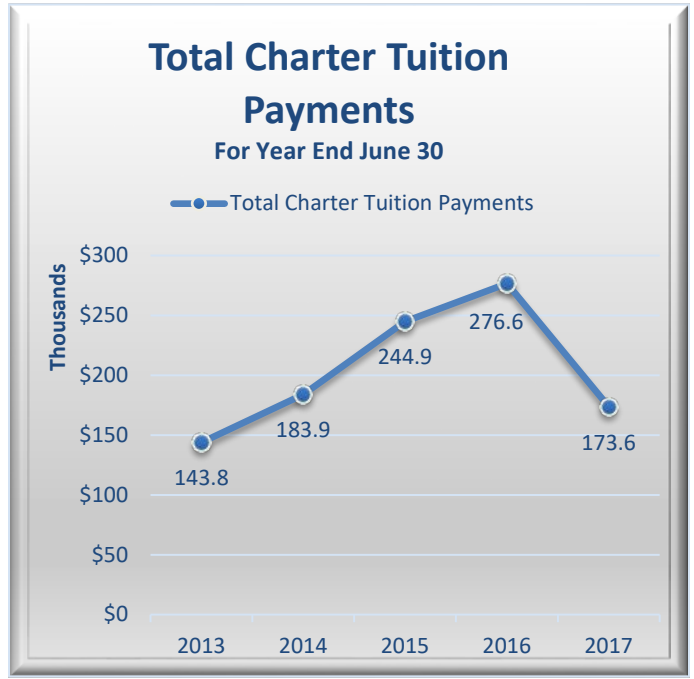
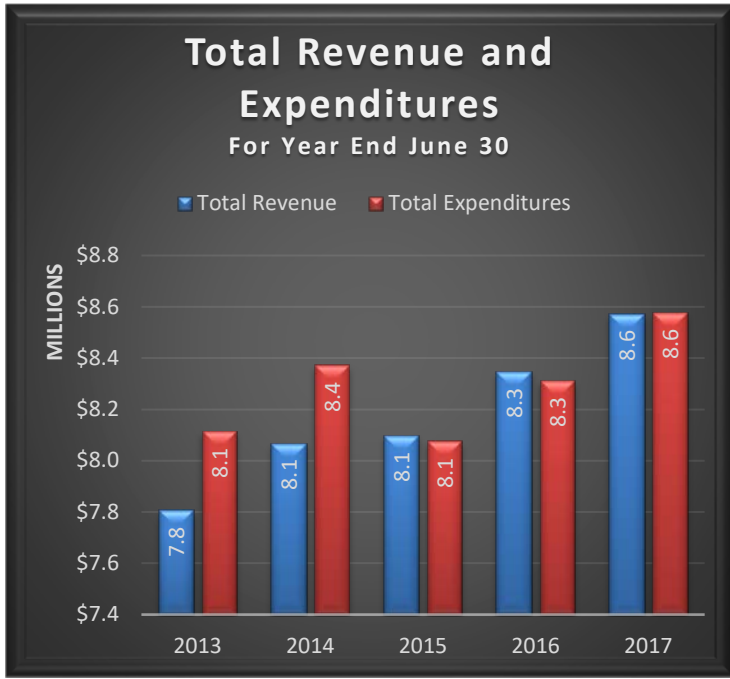


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from the PDE's data files for the 2014-15, 2015-16 and 2016-17 school years.¹ These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.² Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.³

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. The PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.

The PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, the PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.⁴ The PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.⁵ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

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

² The PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to the PDE's website for general information regarding the issuance of academic scores.

³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

⁴ According to the PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with PA Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

⁵ Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. *See* 24 P.S. § 1-121(b)(1).

What is the PSSA?

The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English and Math. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, and policymakers with important information about the state's students and schools.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁶ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

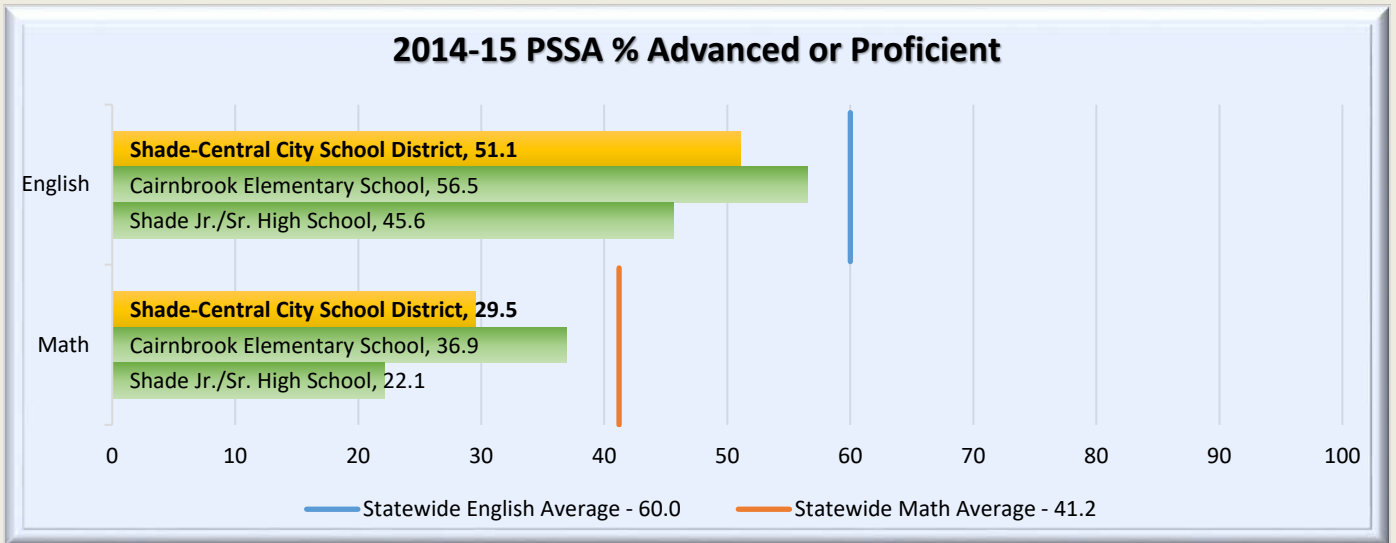
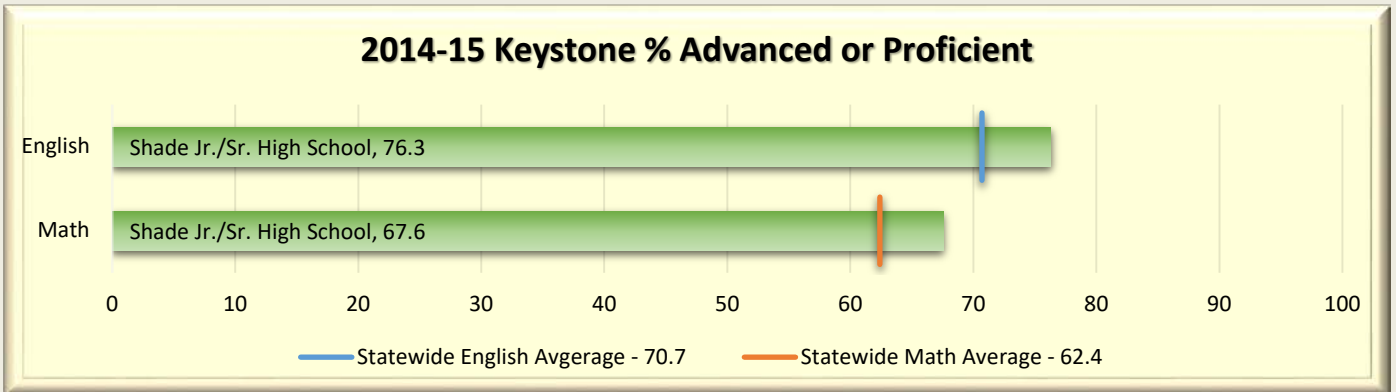
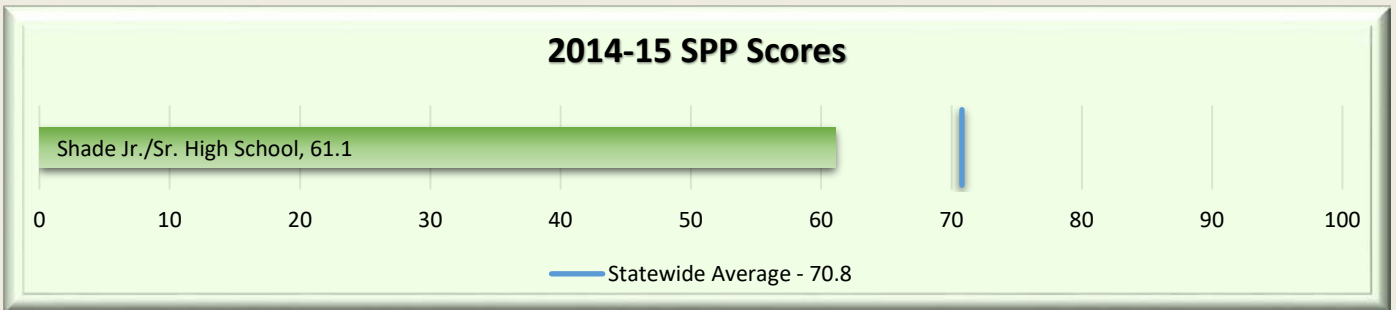
What is a 4-Year Cohort Graduation Rate?

The PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. 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. Data specific to the 4-year cohort graduation rate is presented in the graph.⁷

⁶ The PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

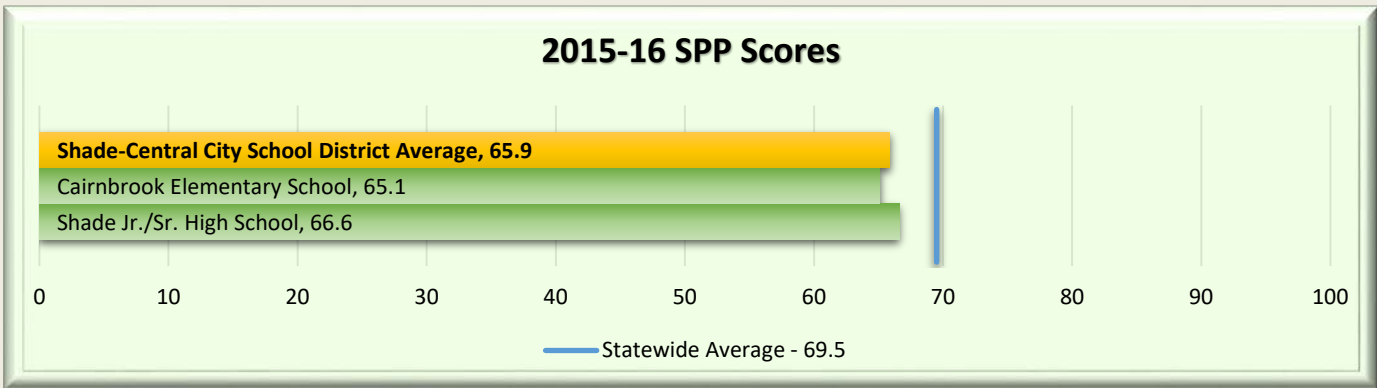
⁷ The PDE also calculates 5-year and 6-year cohort graduation rates. Please visit the PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

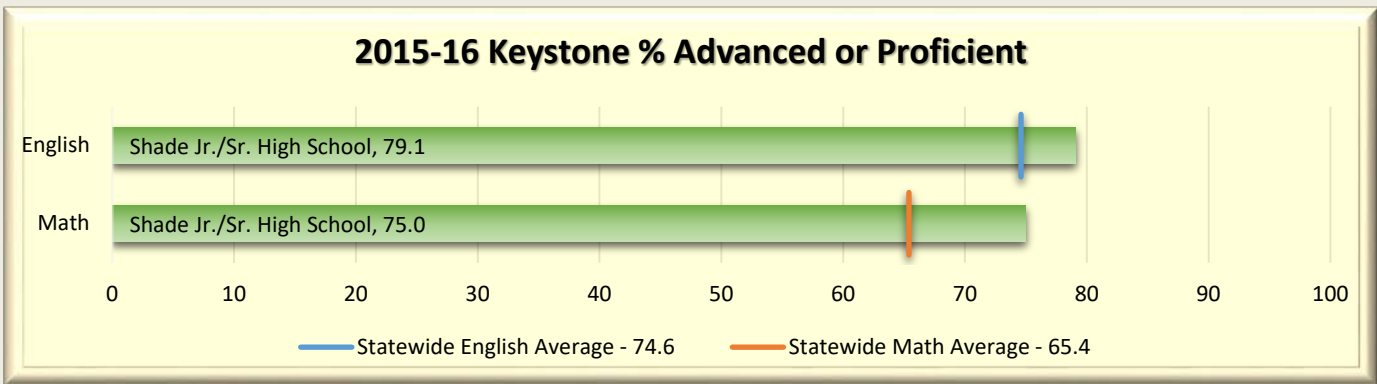


2015-16 Academic Data
School Scores Compared to Statewide Averages

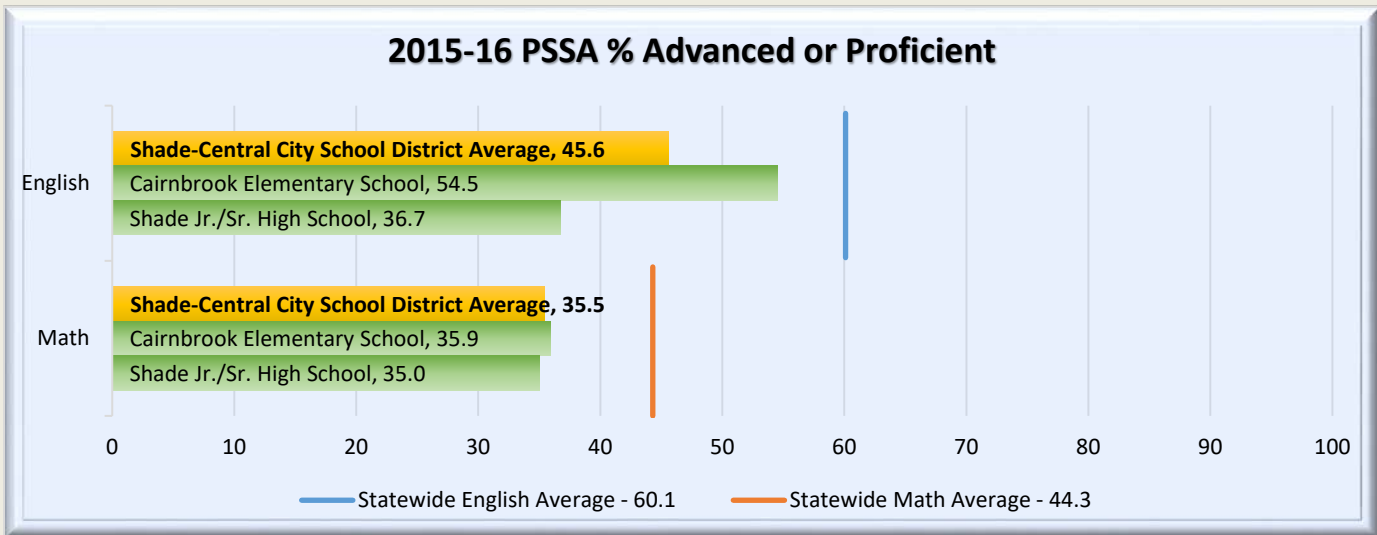
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient

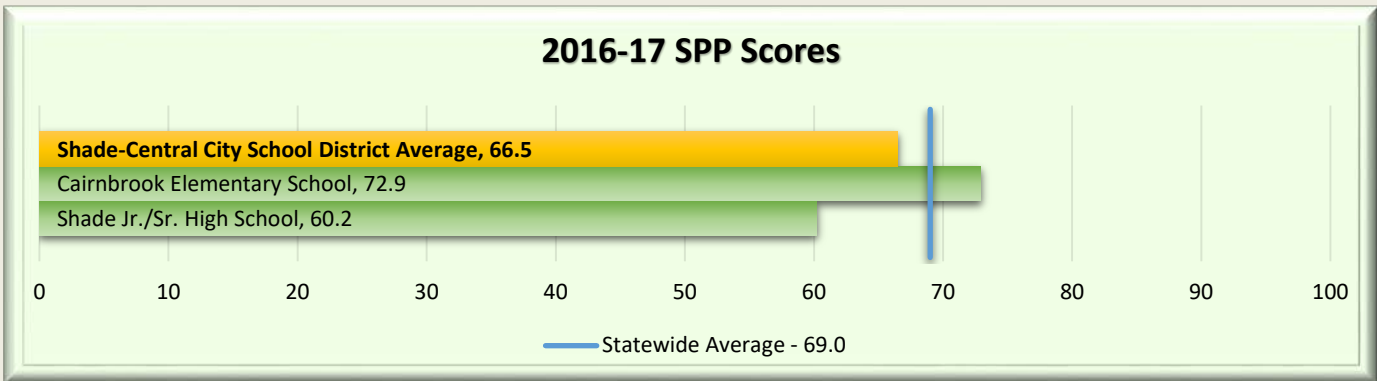


2015-16 PSSA % Advanced or Proficient

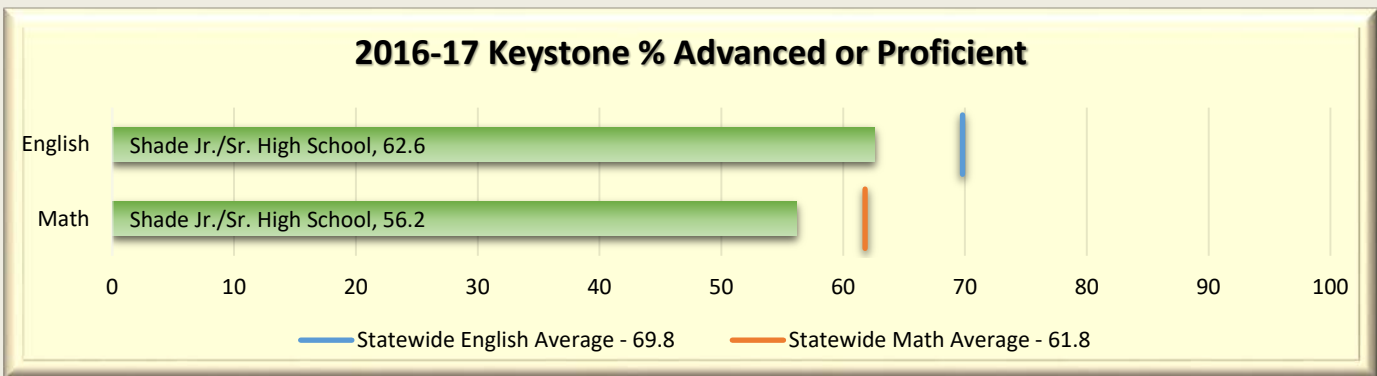


2016-17 Academic Data
School Scores Compared to Statewide Averages

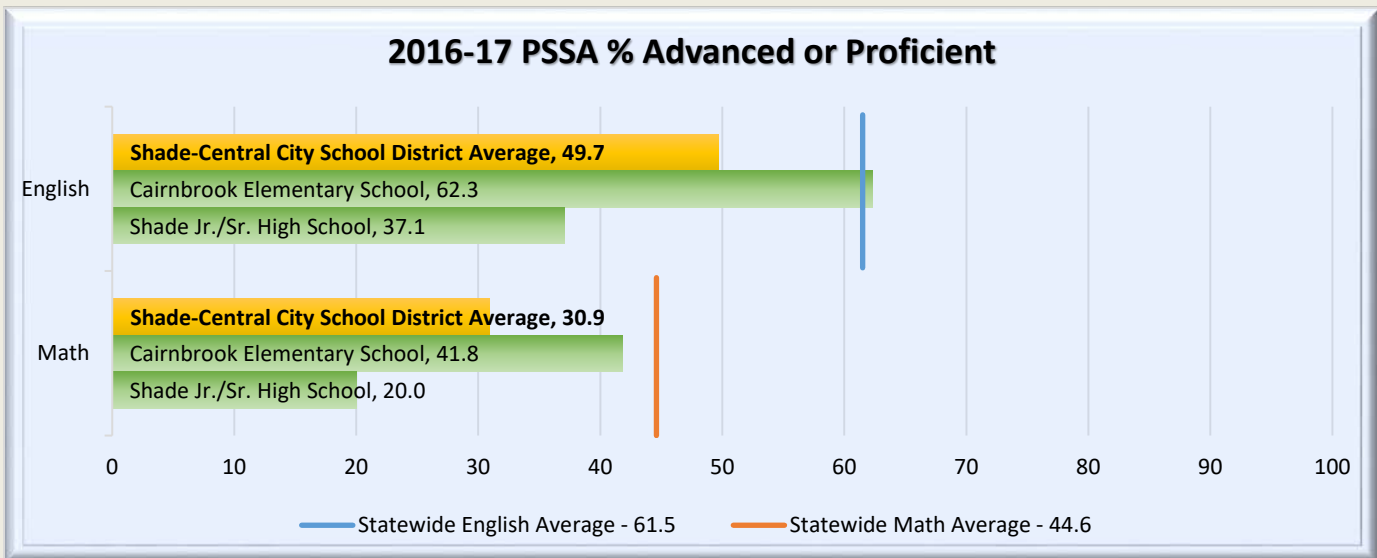
2016-17 SPP Scores



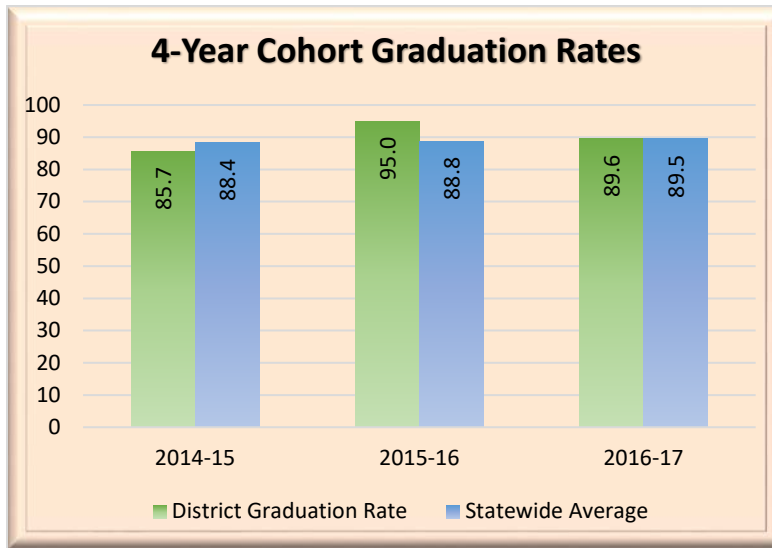
2016-17 Keystone % Advanced or Proficient



2016-17 PSSA % Advanced or Proficient



Graduation Data
District Graduation Rates Compared to Statewide Averages



Finding

Finding

The District Incorrectly Reported the Number of Nonpublic School Students Transported Resulting in an Overpayment of \$11,935

Supplemental Transportation Subsidy for Nonpublic School Students

Section 2509.3 of the Public School Code (PSC) provides that each school district shall receive a supplemental transportation payment of **\$385** for each nonpublic school student transported. [Emphasis added.] See 24 P.S. § 25-2509.3.

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement, in a format prescribed by the Secretary of Education, of student transportation data for the prior and current school year with the Pennsylvania Department of Education in order to be eligible for the transportation subsidies. See 24 P.S. § 25-2543.

Section 2543 of the PSC, entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in pertinent part:

“Annually, each school district entitled to reimbursement on account of student transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to student transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied with the law or regulations of the State Board of Education.” Id.

The Shade-Central City School District (District) was overpaid a total of \$11,935 in transportation reimbursement from the Pennsylvania Department of Education (PDE). This overpayment was due to the District improperly reporting the number of nonpublic school students transported by the District during the 2013-14, 2014-15, 2015-16, and 2016-17 school years.

According to the Public School Code (PSC), a nonpublic school is defined as a nonprofit school, other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements under the act and Title VI of the Civil Rights Act of 1964.⁸ The PSC requires school districts to provide transportation services to students who reside in its district and attend a nonpublic school, of which they are entitled to a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district. It is important to note that if the District transports one nonpublic student at any time during the school year, the District would be eligible for \$385 in reimbursement for that nonpublic student.

Districts receive two separate transportation reimbursement payments from the PDE. One reimbursement is broadly based on the number of students transported and the number of miles of vehicles in service, both with and without students (i.e., regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic school students transported (i.e., supplemental transportation reimbursement). The reporting errors discussed in the finding effect the District’s supplemental transportation reimbursement received.

⁸ See Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

The table below illustrates the District’s nonpublic reporting errors and the resulting transportation reimbursement overpayments.

Shade-Central City School District Nonpublic Reporting Errors		
School Year	Nonpublic Students Over Reported	Overpayment⁹
2013-14	8	\$3,080
2014-15	7	\$2,695
2015-16	8	\$3,080
2016-17	8	\$3,080
Total	31	\$11,935

The District incorrectly reported special education students enrolled in and transported to alternate education programs as nonpublic school students. Incorrectly reporting these students as nonpublic school students resulted in the District over reporting the number of nonpublic students transported and receiving over \$11,000 in supplemental transportation reimbursement it was not eligible to receive. District officials responsible for compiling and reporting transportation data incorrectly interpreted the alternative education program to be approved private schools. At the time of reporting, the District believed they were accurately reporting these students.

This is the third consecutive audit in which we found incorrect reporting of transportation data by the District. Transportation reimbursement is a significant funding source for districts and it is imperative that this data is reported accurately by the District.

We provided the PDE with reports detailing the nonpublic reporting errors for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. The PDE requires these reports to verify the overpayment to the District. The District’s future transportation subsidies should be adjusted by the amount of the overpayment.

⁹ Calculated by multiplying the “Nonpublic Students Over Reported” column by \$385.

Recommendations

The *Shade-Central City School District* should:

1. Review the requirements for a student to be defined as a nonpublic school student and ensure that students transported to special education and alternative education programs are not reported as nonpublic school students.
2. Implement a procedure to have a District official, other than the person who prepares the data, review the transportation data for accuracy and approve it prior to submission to the PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future transportation subsidy to resolve the \$11,935 overpayment to the District.

Management Response

District management provided the following response:

“We were not aware that our alternative education students are not considered non-public students. We are now aware and will not count them as non-public in the future.”

Auditor Conclusion

We are encouraged that the District is now aware that alternative education students are not considered nonpublic students and will not report these students as nonpublic students in the future. We encourage the District to implement our second recommendation to help ensure that accurate transportation data is reported to the PDE.

Status of Prior Audit Findings and Observations

Our prior audit of the Shade-Central City School District (District) released on December 11, 2014, 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 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 on December 11, 2014

Prior Finding: **Continuing Pupil Transportation Reporting Errors Resulted in a Net Subsidy Overpayment to the District of \$11,019**

Prior Finding Summary: Our prior audit found that the District personnel failed to perform an internal review of transportation documents prior to submission of its end-of-year reports to the PDE for the 2010-11 school year. This lack of review resulted in the number of pupils being incorrectly reported and the error going unnoticed. By not having the appropriate internal review procedures in place, the District cannot guarantee that it is reporting accurate transportation data to the PDE.

Prior Recommendations: We recommended that the District should:

1. Conduct an internal review to ensure pupil counts are reported accurately.
2. Attend the PDE-sponsored workshops on compiling and completing transportation reports accurately.
3. Calculate the number of miles vehicles travel in accordance with either the weighted average or sample average methods as approved by the PDE.
4. Review reports submitted to the PDE subsequent to the years audited and submit revised reports if errors are found.

We also recommended that the PDE should:

5. Adjust the District's future allocations to correct the overpayment of \$11,019.

Current Status:

Districts receive two separate transportation reimbursement payments from the PDE. One reimbursement is based on the number of students transported, the number of days each vehicle was used for transporting students, and the number of miles of vehicles in service, both with and without students (i.e., regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic students transported (i.e., supplemental transportation reimbursement).

The finding in our prior audit pertains to the District's regular transportation reimbursement. The finding in our current audit pertains to the District's supplemental transportation reimbursement. During our current review, we found that the District correctly calculated and reported total miles traveled and number of students transported during the 2016-17 school year. However, we found issues in the reporting of nonpublic school students that affected the District's supplemental transportation reimbursement. The District implemented our prior audit recommendations in regard to the reporting of regular transportation data elements.

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, the Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹⁰ 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, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Shade-Central City School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).¹¹ 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.

¹⁰ 72 P.S. §§ 402 and 403.

¹¹ 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, annual 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 July 1, 2013 through June 30, 2017. 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:

- Transportation Operations
- Financial Stability
- Bus Driver Requirements
- School Safety

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

- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹²
 - To address this objective, we randomly selected 8 of the 16 vehicles used to transport District students during the 2016-17 school year.¹³ We reviewed the District's supporting documentation to determine if the District accurately calculated and reported to the PDE daily mileage and number of students transported for these vehicles. Additionally, we reviewed the bus rosters, requests for transportation, and other supporting documentation to determine if the District accurately reported the number of nonpublic school students reported to the PDE for the 2013-14 through 2016-17 school years.¹⁴ We found that the District accurately reported the daily mileage and number of students transported to the PDE, but the District did not accurately report the number of nonpublic school students as described in the finding on page 9 of this report.

¹² See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹³ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁴ The District reported to the PDE 21 nonpublic students transported during the 2013-14 school year, 19 nonpublic students transported during the 2014-15 school year, 21 students transported during the 2015-16 school year, and 21 students transported during the 2016-17 school year.

- ✓ Based on an assessment of financial indicators, 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, General Fund budgets, and independent auditor's reports for the 2012-13 through 2016-17 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including PASBO, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Our review of this objective did not result in 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?¹⁵ Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected 8 of the 23 bus drivers transporting District students as of August 6, 2018.¹⁶ We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not result in any reportable issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁷
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, fire drill documentation, and after action reports. In addition, we conducted on-site reviews of both of the District's school buildings to assess whether the District had implemented basic safety practices.¹⁸ 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 school safety are shared with District officials, the PDE, and other appropriate agencies deemed necessary.

¹⁵ 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*.

¹⁶ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁷ 24 P.S. § 13-1301-A *et seq.*

¹⁸ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

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

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The Honorable Joe Torsella

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Executive Director
Pennsylvania School Boards Association
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Mechanicsburg, PA 17050

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