

# PERFORMANCE AUDIT

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## Upper Dauphin Area School District Dauphin County, Pennsylvania

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December 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Evan Williams, Superintendent  
Upper Dauphin Area School District  
5668 State Route 209  
Lykens, Pennsylvania 17048

Mr. David Barder, Board President  
Upper Dauphin Area School District  
5668 State Route 209  
Lykens, Pennsylvania 17048

Dear Mr. Williams and Mr. Barder:

We have conducted a performance audit of the Upper Dauphin 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:

- Contracting
- Administrator Contract Buy-Out
- Transportation Operations
- 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.

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

November 28, 2016

cc: **UPPER DAUPHIN AREA SCHOOL DISTRICT** Board of School Directors

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## Background Information

School Characteristics 2015-16 School Year <sup>A</sup>	
County	Dauphin
<b>Total Square Miles</b>	91
<b>Resident Population<sup>B</sup></b>	9,752
<b>Number of School Buildings</b>	3
<b>Total Teachers</b>	99
<b>Total Full or Part-Time Support Staff</b>	56
<b>Total Administrators</b>	7
<b>Total Enrollment for Most Recent School Year</b>	1,206
<b>Intermediate Unit Number</b>	15
<b>District Vo-Tech School</b>	Dauphin County Technical School

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

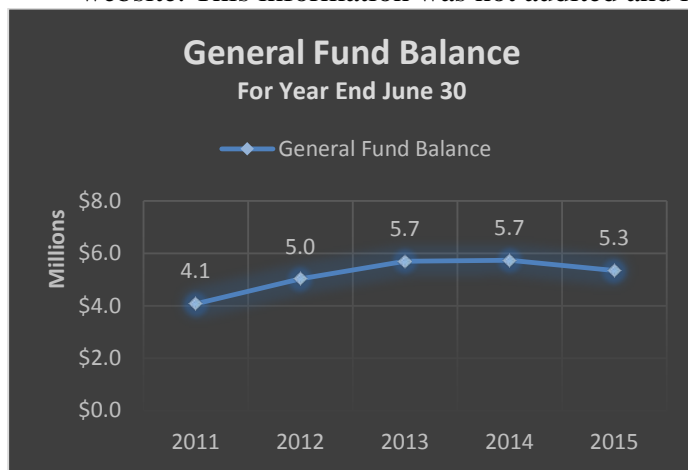
B - Source: United States Census  
<http://www.census.gov/2010census>

## Mission Statement<sup>A</sup>

“Our mission is to empower our students to be lifelong learners in order to reach their greatest potential.”

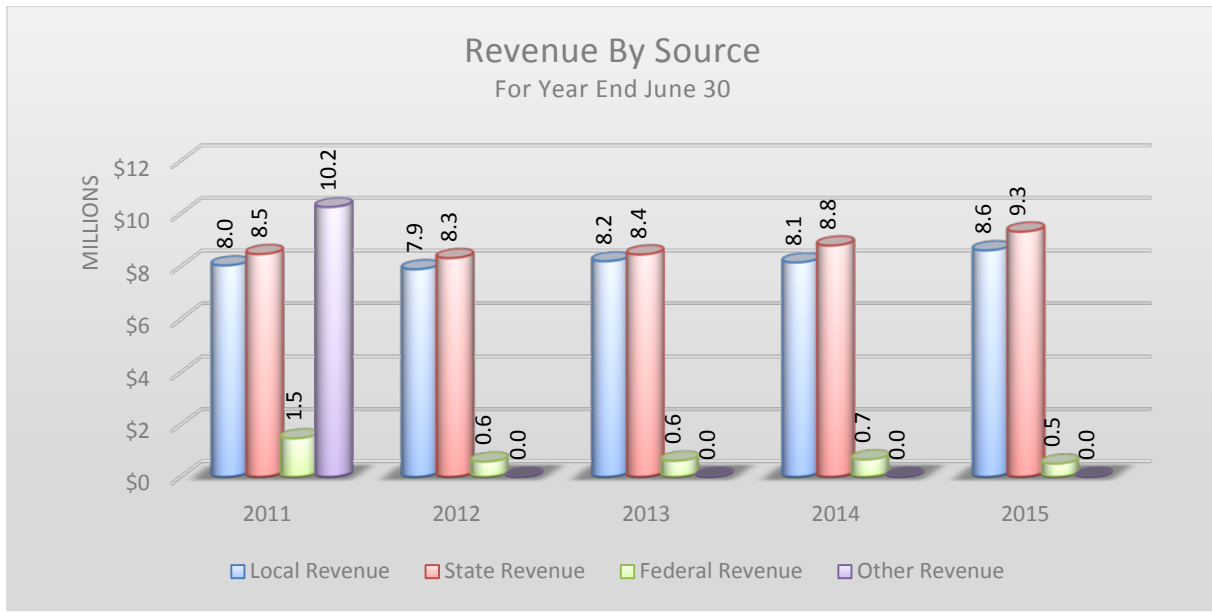
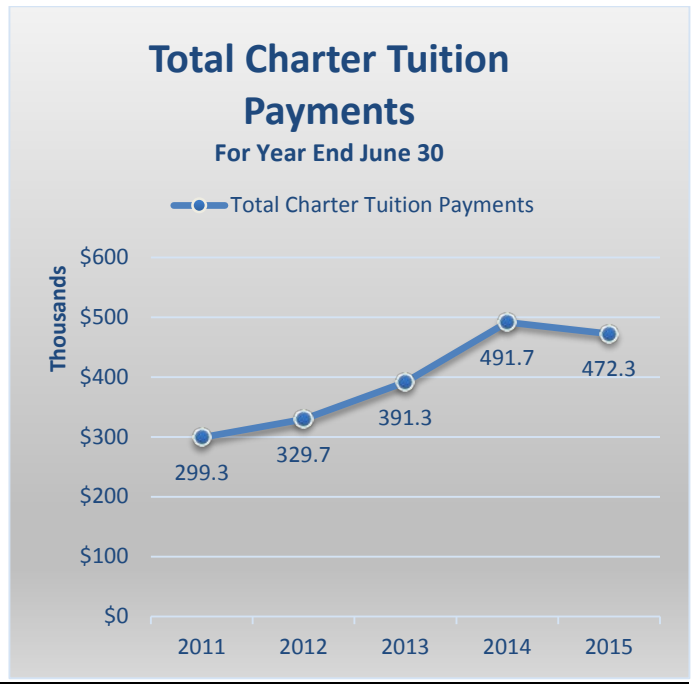
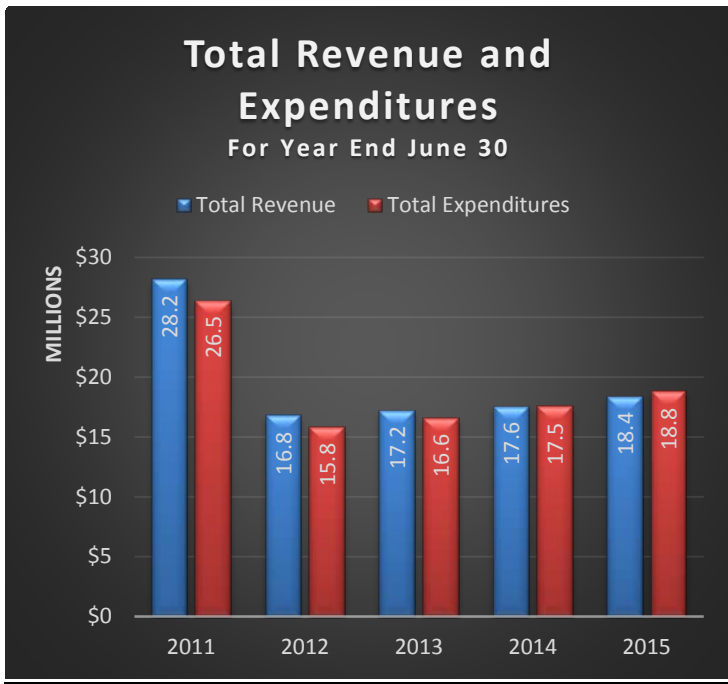
## Financial Information

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**.



<sup>1</sup> 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



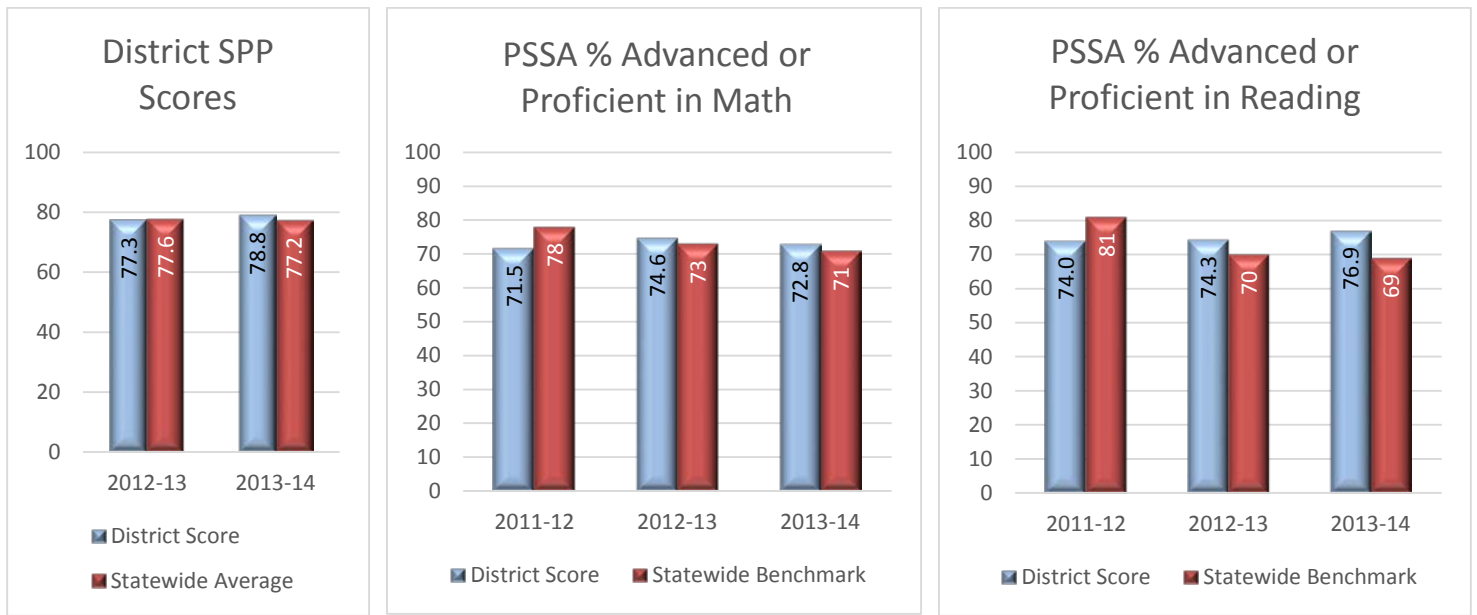
## Academic Information

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.<sup>2</sup> 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.<sup>3</sup> PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.<sup>4</sup> 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>Upper Dauphin Area SD</i>	77.3	78.8	71.5	74.6	72.8	74.0	74.3	76.9
<i>SPP Grade<sup>5</sup></i>	C	C						



<sup>2</sup> PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

<sup>3</sup> Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

<sup>4</sup> 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.

<sup>5</sup> 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).

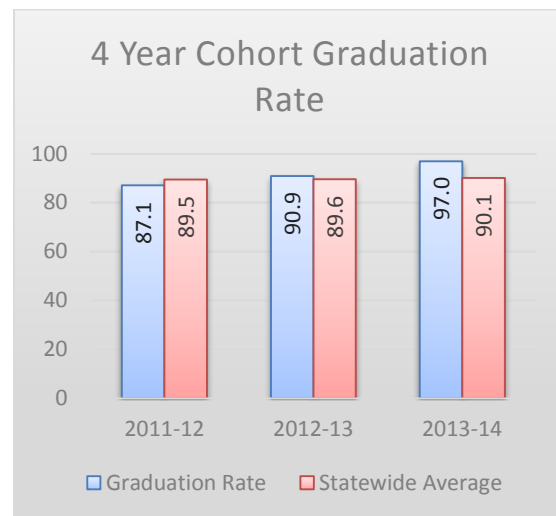
## Individual School Building SPP and PSSA Scores

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.<sup>6</sup>

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>Upper Dauphin Area Elementary School</i>	91.2	78.3	86.0	83.3	78.5	81.1	80.5	74.2
<i>Upper Dauphin Area High School</i>	65.2	72.9	52.8	66.7	62.2	67.8	74.8	83.3
<i>Upper Dauphin Area Middle School</i>	75.6	85.1	75.6	73.9	77.7	73.0	67.8	73.3

## 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.<sup>7</sup>



<sup>6</sup> PDE's data does not provide any further information regarding the reason a score was not published.

<sup>7</sup> <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx#.V1BFCDTD-JA>.

## **Finding(s)**

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**F**or the audited period, our audit of the District resulted in no findings.



## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the District released on June 17, 2013, resulted in three findings. 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**

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**Prior Finding No. 1:      Errors in Reporting Pupil Transportation Data Resulted in Overpayments Totaling \$554,713**

Prior Finding Summary: Our prior audit of the District's pupil transportation records submitted to PDE found reporting errors that resulted in transportation reimbursement overpayments of \$252,702 in the 2008-09 school year and \$302,011 in the 2009-10 school year, for a total of \$554,713 in reimbursement overpayments.

Prior Recommendations: We recommended that the District should:

1. Use all means possible to recover the remaining monies due from the contractor.
2. Verify all route mileage in a timely manner.
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 overpayments 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 payments from its former contractor. In June 2011, the District received two payments totaling \$337,176 from the former contractor. The former contractor also agreed to forego receipt of a \$120,000 District payment due under the transportation contract for the 2010-11 school year. The District later received a payment in the amount of \$130,191, from the United States Treasury, on behalf of the former contractor in March 2015. The District also received \$99 in December 2015 and \$998 in April 2016 from the United States Treasury on behalf of the former transportation contractor. As of

August 17, 2016, the District has received a total of \$588,464 in restitution from its former contractor for the theft that occurred between 2008 and 2011.

We also determined that mileage for the 2010-11 and 2011-12 school years reported to PDE was accurate. In addition, we verified that the mileage reported to PDE for the 2012-13 through 2014-15 school years. Furthermore, we noted that the District now utilizes Transfinder software, purchased and used beginning with the 2011-12 school year, to aid in creating the most cost effective routes. District personnel with knowledge of various nuances of the transportation operations and bus route creation also participate in this process.

As of August 17, 2016, PDE has not adjusted the District's transportation subsidies to recover the \$554,713 overpayment revealed during the prior audit.

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**Prior Finding No. 2: Improper Reporting of Retirement Wages**

Prior Finding Summary: Our prior audit of the District's administrative employment contracts and payroll records found that the former business manager's lump sum vacation payout was improperly reported as eligible retirement wages to the Public School Employees' Retirement System (PSERS) for the 2011-12 school year.

Prior Recommendations: We recommended that the District should:

1. Report to PSERS only those wages allowable for retirement purposes, as stated in the PSERS Employees Reference Manual.
2. Review PSERS retirement regulations and implement procedures for reviewing all salary and contribution reports to ensure that only eligible wages are being reported to PSERS for retirement contributions.

We also recommended that PSERS should:

3. Adjust the payment in question as ineligible for retirement purposes.

Current Status: Upon review of District records, we determined the District did implement all of our recommendations. We verified that only eligible wages were reported to PSERS for the one contracted employees who separated from employment with the District since our prior audit. The District also stated that it is utilizing the PSERS Employer Reference Manual to ensure that only eligible wages are reported for all

employees. Finally, PSERS determined the payment to the former Business Manager was ineligible and returned the contributions to the District on July 1, 2014. The District, in turn, returned the employee share to the former business manager on July 16, 2014.

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**Prior Finding No. 3: Certification Deficiency**

Prior Finding Summary: Our prior audit of the District found that an employee was assigned as an emotional support teacher for the 2010-11 school year, using an emergency certificate with an effective date of August 1, 2010. However, this certificate expired at the end of the 2010-11 school year, and the teacher continued employment in the position without a valid certificate until May 1, 2012.

Prior Recommendations: We recommended that the District should:

1. Strengthen controls to help ensure that professional employees' certificates are kept current.
2. Develop procedures to determine that applications for permanent certificates have been received by the Bureau of School Leadership and Teacher Quality.

We also recommended that PDE should:

3. Adjust the District's allocations to recover the \$1,995 subsidy forfeiture.

Current Status: Our review found that the District implemented all of our recommendations. The District currently utilizes an excel spreadsheet as well as PDE's Teacher Information Management System to ensure that teachers certificates are valid and applications have been properly received by PDE. Also, PDE properly adjusted the District's allocations to recover the \$1,995 subsidy forfeiture on December 26, 2013.

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## **Appendix: Audit Scope, Objectives, and Methodology**

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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 Sections 402 and 403 of The Fiscal Code,<sup>8</sup> 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 controls<sup>9</sup> 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.

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<sup>8</sup> 72 P.S. §§ 402 and 403.

<sup>9</sup> 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, through 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:

- ✓ Contracting
- ✓ Administrator Contract Buy-Out
- ✓ Transportation Operations
- ✓ 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 that its significant contracts were current and were properly obtained, approved, executed, and monitored?
  - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of vendors who provided goods and services to the District, in excess of \$10,000, during the 2014-15 school year. We randomly selected 5 out of 45 vendors for detailed testing. Testing included a 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(s) contain adequate termination provisions?
  - To address this objective, we reviewed the contracts, board meeting minutes, and payroll records for the only individually contracted administrator who separated from employment with the District during the period July 1, 2012, through July 7, 2016. Our review of this objective did not disclose any reportable issues.

- ✓ 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 pay its bus contractors according to the terms of their agreements?
  - To address this objective, we selected all vehicles for the 2010-11 school year (21 vehicles) and 2011-12 school year (9 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 vehicles belonging to the District's other bus contractors - 7 out of 27 vehicles for the 2014-15 school year, 10 out of 36 for the 2013-14 school year, 7 out of 26 for the 2012-13 school year, 6 out of 23 for the 2011-12 school year, and 1 out of 4 for 2010-11 school year. We reviewed documentation to determine that vehicle mileage for selected vehicles was accurately reported to PDE. For the 2013-14 school year, we also performed a contractor cost analysis to determine if the District paid its contractors correctly. 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?<sup>10</sup> 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 42 bus drivers hired 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?
  - 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.

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<sup>10</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8.

## **Distribution List**

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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  
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Harrisburg, PA 17126

**The Honorable Timothy Reese**

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Pennsylvania School Boards Association  
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Mechanicsburg, PA 17050

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