

PERFORMANCE AUDIT

Yough School District Westmoreland 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. Janet Sardon, Superintendent
Yough School District
915 Lowber Road
Herminie, Pennsylvania 15637

Ms. Terri Allen, Board President
Yough School District
915 Lowber Road
Herminie, Pennsylvania 15637

Dear Dr. Sardon and Ms. Allen:

We conducted a performance audit of the Yough School District (District) for the period July 1, 2010 through June 30, 2015, except as otherwise stated. We evaluated the District's performance in the following areas:

- Governance
- School Safety
- Bus Driver Requirements
- Transportation Reimbursement

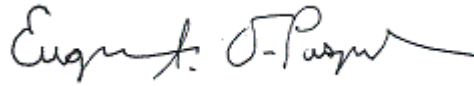
The audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to 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 finding 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:

- Errors in Reporting the Number of Nonpublic Students Transported by the District Resulted in an Overpayment of Over \$44,000

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. 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

May 19, 2016

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

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Background Informationⁱ

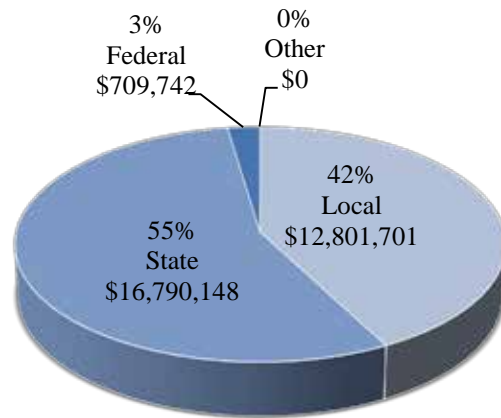
School Characteristics 2014-15 School Year ⁱⁱ	
County	Westmoreland
Total Square Miles	77
Resident Population ⁱⁱⁱ	17,000
Number of School Buildings	5
Total Teachers	161
Total Full or Part-Time Support Staff	57
Total Administrators	12
Total Enrollment for Most Recent School Year	2,157
Intermediate Unit Number	7
District Vo-Tech School	Central Westmoreland CTC

Mission Statement

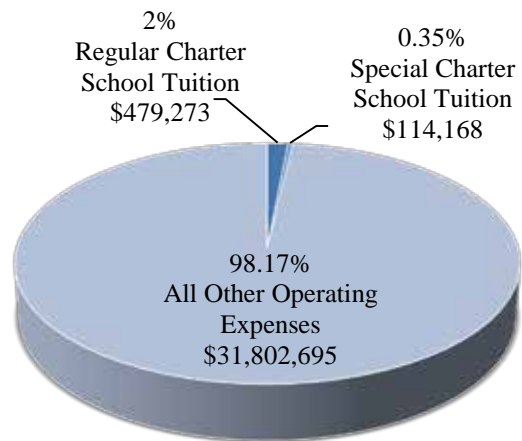
“Our mission is to provide all students with a 21st Century Learning Experience in a collaborative and supportive environment.”

Financial Information

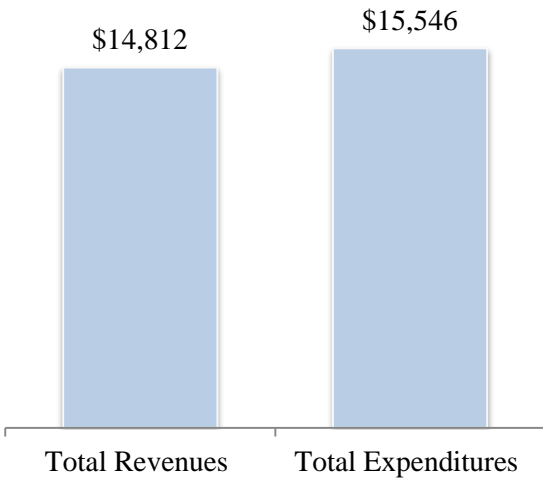
Revenue by Source for 2014-15 School Year



Select Expenditures for 2014-15 School Year

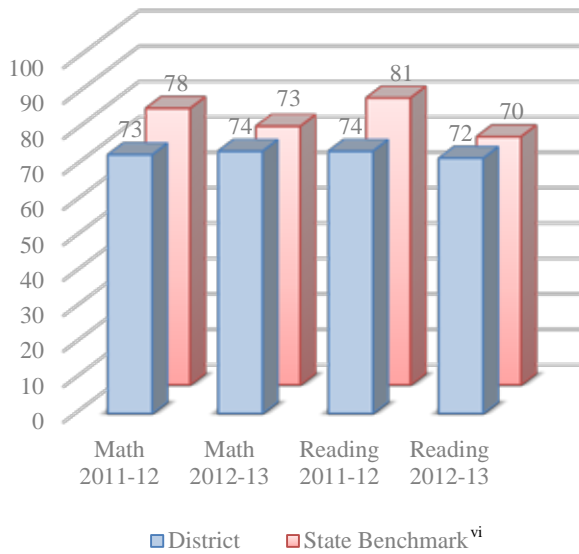


**Dollars Per Student
2014-15 School Year**



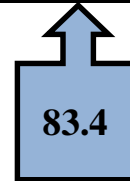
Academic Information

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}
H W Good El School	79.4	87	14	77	7	No Designation
Mendon El School	79.1	81	8	65	5	No Designation
West Newton El School	81.0	79	6	74	4	No Designation
Yough Intermediate/Middle School	86.9	73	---	71	1	No Designation
Yough Senior High School	78.5	67	6	77	7	Non-Title I

Findings and Observations

Finding

Errors in Reporting the Number of Nonpublic Students Transported by the District Resulted in an Overpayment of Over \$44,000

Criteria relevant to the finding:

Section 2509.3 of the Public School Code (PSC), 24 P.S. § 25-2509.3, states, in part, that each school district shall be paid the sum of \$385 for each nonpublic school pupil transported.

Section 1726-A (relating to Transportation) of the PSC, 24 P.S. § 17-1726-A, students who reside in the school district in which the charter school is located, or who are residents of a school district which is part of a regional charter school, shall be provided transportation to the charter school on the same terms and conditions as transportation is provided to students attending the schools of the district.

Nonresident students shall be provided transportation under Section 1361 of the PSC, 24 P.S. § 13-1361.

Districts providing transportation to a charter school outside the district shall be eligible for payments under Section 2509.3 of the PSC for **each** public school student transported.

Additionally, instructions provided by PDE to complete the Summary of Pupils Transported form (PDE-2089) specify that districts are to report the total number of nonpublic pupils transported to and from school.

Our audit of the District's transportation records for the 2010-11 through 2013-14 school years revealed that the District included special education students in their nonpublic pupil count that they reported to PDE for nonpublic transportation reimbursement. The District is financially responsible to provide transportation for students enrolled in special education programs. As a result, the District was overpaid a total of \$44,660 in transportation reimbursement from PDE. PDE will recoup the overpayment by reducing the District's future transportation reimbursements.

District personnel included these students because the District was using an incorrect definition of nonpublic school pupils.

According to the PSC, a nonpublic school is defined, in part, as a nonprofit school other than a public school within the Commonwealth.¹ The PSC requires school districts to provide transportation services to students who reside in its district and who attend nonpublic schools, providing for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district. We determined the total amount overpaid to the District in each school year by multiplying the difference between nonpublic students reported and actual nonpublic students by \$385.

¹ See Section 922.1-A(b) (pertaining to "Definitions") of the PSC, 24 P.S. § 9-922.1-A(b).

The following table provides a breakdown of the transportation reporting errors:

Yough SD Nonpublic Student Transportation				
School Year	Nonpublic Students Reported	Actual Nonpublic Students (Audited)	Number of Students Over-reported	Overpayment Amount
2010-11	122	71	51	\$19,635
2011-12	71	66	5	\$ 1,925
2012-13	88	58	30	\$11,550
2013-14	87	57	30	\$11,550
Total	368	252	116	\$44,660

We have provided PDE with a report detailing the errors for the 2010-11 through 2013-14 school years for PDE’s use in recalculating the District’s transportation reimbursements.

Recommendations

The *Yough School District* should:

1. Ensure that all nonpublic pupils reported for reimbursement are eligible for reimbursement per PDE’s instructions.
2. Review transportation reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District’s reimbursement to recover the \$44,660 overpayment.

Management Response

District management provided the following response:

“Since the 2011-2012 year, the Yough School District was working off an incorrect definition of nonpublic school students that was provided by a previous manager of our contracted service provider. Therefore, the number of nonpublic students report was higher than it should have been, as we included students that were not considered to be nonpublic students.

The Yough School District has been provided the appropriate definition of nonpublic students and will use that definition moving forward in any and all reporting for transportation reimbursement or state reporting.

As part of this audit we have also implemented monthly meetings between the school district's transportation department and the contracted provider. [Transportation contractor's] management staff, to review all information on a regular basis [sic]. This monthly review (to be held on the fourth Thursday of each month) will include the review of all nonpublic students within the Yough School District."

Auditor Conclusion

We are pleased that the District has taken corrective action to correct the reporting errors. We will determine the effectiveness of these actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on January 14, 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 PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on January 14, 2013

Prior Finding No. 1: Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$12,495 (Unresolved)

Prior Finding Summary:

Our prior audit of the District's transportation records for the 2008-09 school year found various errors in reporting pupil transportation data to PDE. The errors resulted in a net transportation subsidy overpayment of \$12,495.

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

1. Accurately report all data elements used in the calculation of pupil transportation subsidy.
2. Report only eligible pupils as nonpublic pupils.
3. Review all data before submitting reports to PDE.

We also recommended that PDE should:

4. Adjust future District allocations to correct the net overpayment.

Current Status:

During our current audit, we found the District did implement our recommendations by reviewing all data for odometer readings and pupil counts and ensuring the accuracy of these figures before submitting reports to PDE. However, the District did not implement our recommendation to report only eligible pupils as nonpublic pupils (see the current finding on page 5).

On January 5, 2016, PDE adjusted the District's allocations to recover the \$12,495 cited in our previous audit report.

Prior Finding No. 2: Certification Deficiencies (Resolved)

Prior Finding Summary:

Our prior audit of professional employees' certification for July 1, 2010 through June 30, 2011, found three employees assigned to a computer education course without being properly certified to teach this course. PDE confirmed the deficiencies, and the District is subject to a \$1,743 subsidy forfeiture for the 2011-12 school year.

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

1. Put procedures in place to compare teachers' certification to the certification requirements of the assignments the District intends to give the teacher.
2. Require the teachers to obtain proper certification as required for their positions or reassign them to areas in which they are properly certified.

We also recommended that PDE should:

3. Recover the subsidy forfeiture levied as a result of BSLTQ's determinations.

Current Status:

During our current audit, we reviewed three teachers assigned to computer education courses for the 2015-16 school year. Our review revealed that these teachers did hold the proper certification for the courses being taught. Also, the teachers cited during the prior audit have been reassigned to positions where they hold proper certifications.

On December 26, 2013, PDE adjusted the District's allocations to recover the \$1,743.

Prior Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses (Resolved)

Prior Observation Summary:

Our prior audit found that the District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's network server. We determined risk exists that unauthorized changes to the District's data could occur and not be

detected because the District was unable to provide supporting evidence that it is adequately monitoring all vendor activity. This could lead to unauthorized changes to the District's membership information resulting in the District not receiving proper funding.

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

1. Have the contract with the vendor reviewed by legal counsel.
2. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Implement a security policy and system parameter settings to require all users, including vendor, to change passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
6. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, the District should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives.

7. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and the data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.
8. Upgrade the remote access software the most current version.
9. Encrypt the District's remote connections.
10. The upgrades/updates to the District's system should be made only after the receipt of written authorization from appropriate District officials.
11. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
12. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contain the membership/attendance data.
13. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should (install fire detectors/install fire extinguishers in the computer room).
14. To mitigate IT control weaknesses, the District should have compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status:

During our current audit, we reviewed the prior years' recommendations with the Technology Director. We found that the District has implemented all of the recommendations and has manual compensating controls to minimize the risk of undetected unauthorized changes.

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,¹ is not a substitute for the local annual financial audit required by the PSC 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, 2010 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 controls² 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.

¹ 72 P.S. § 403.

² 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:

- Governance
- School Safety
- Bus Driver Requirements
- Transportation Reimbursement

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's Board of School Directors (Board) and administration maintain best practices in overall organizational governance?
 - To address this objective, we conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.

- ü Did the District take appropriate actions to ensure it provided a safe school environment?
 - To address this objective, the auditors performed a follow-up review of a variety of documentation to support actions taken by the District regarding weaknesses noted in our prior safety review. In addition, we conducted in-depth interviews with District personnel in charge of ensuring safety within the District and confirmed that anti-bullying policies are in place at the District.

- 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?³ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we selected 5 of the 54 bus drivers hired by District bus contractor, during the period July 1, 2015 through December 15, 2015, 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.

- Ü Did the District report to PDE the correct number of nonpublic students transported by the District? Also, did the District receive the correct reimbursement from PDE for these non-pubic students?
 - To address this objective, we conducted in-depth interviews with District personnel in charge of transportation, and we reviewed all the nonpublic students submitted to PDE by the District for the 2010-11 through 2014-15 school years (71, 66, 58, 57, and 71 students, respectively). We also reviewed the District's transportation subsidy received by the District for nonpublic students to ensure that the reimbursement matched the students reported.

³ 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

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 significant 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 significant 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.