

PERFORMANCE AUDIT

Chester Upland School District Delaware County, Pennsylvania

December 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Juan Baughn, Superintendent
Chester Upland School District
Attn: Administration Suite
232 West 9th Street
Chester, Pennsylvania 19013

Mr. Peter Barsz, Receiver
Chester Upland School District
Attn: Administration Suite
232 West 9th Street
Chester, Pennsylvania 19013

Dear Dr. Baughn and Mr. Barsz:

We have conducted a performance audit of the Chester Upland School District (District) for the period July 1, 2012, through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of this report. We evaluated or attempted to evaluate the District's performance in the following areas:

- Bus Driver Requirements
- School Safety
- Financial Stability
- Administrator Contract Buyout
- Transportation Operations
- Rental and Retirement Reimbursements

We also determined, or attempted to determine, the status of implementation of the recommendations related to the 12 prior audit findings and one observation.

Due to high turnover in senior management and with those charged with governance, as well as the move of the administrative offices to another location, the District's records were often incomplete and/or inaccessible, disorganized, or could not be located. In addition, District officials did not provide responses to many of our inquiries. Consequently, the District was unable to provide us with the sufficient and appropriate evidence necessary to conclude on the following audit areas and related audit objectives disclosed in the audit scope, objective, and methodology section of the report: Transportation Operations, Financial Stability, and Rental and Retirement Reimbursements. Furthermore, the recordkeeping issues prevented us from determining the status of implementation of audit recommendations related to prior audit findings no. 1, 6, 7, 10, and 12. As a result of the aforementioned scope limitation, we were not able to conclude on the areas affected; however, we did disclose any related internal control deficiencies and noncompliance identified in the objective and methodology section and the status of prior audit recommendations section of this report.

Dr. Juan Baughn
Mr. Peter Barsz
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We conducted our audit 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, except for our inability to obtain sufficient, appropriate evidence as disclosed above. 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 for the audit objectives unaffected by the scope limitation provides a reasonable basis for our findings and conclusions based on those audit objectives.

Our audit found that the District performed adequately in the area of Administrator Contract Buyouts, but did not perform adequately in the area of Bus Driver Requirements as noted in the finding contained in this report that is titled, "The District Failed to Ensure School Bus Drivers Met All Employment Requirements."

Sincerely,



Eugene A. DePasquale
Auditor General

November 14, 2017

cc: **CHESTER UPLAND SCHOOL DISTRICT** Board of School Directors

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Background Information

School Characteristics 2015-16 School Year ^A	
County	Delaware
Total Square Miles	5
Resident Population^B	41,173
Number of School Buildings	6
Total Teachers	256
Total Full or Part-Time Support Staff	135
Total Administrators	24
Total Enrollment for Most Recent School Year	3,193
Intermediate Unit Number	25
District Vo-Tech School	Delaware County Technical High School

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

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

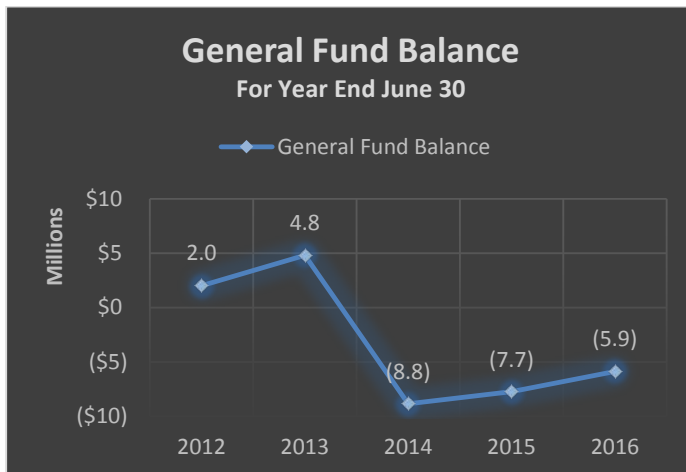
Mission Statement^A

According to the District, its mission is ...

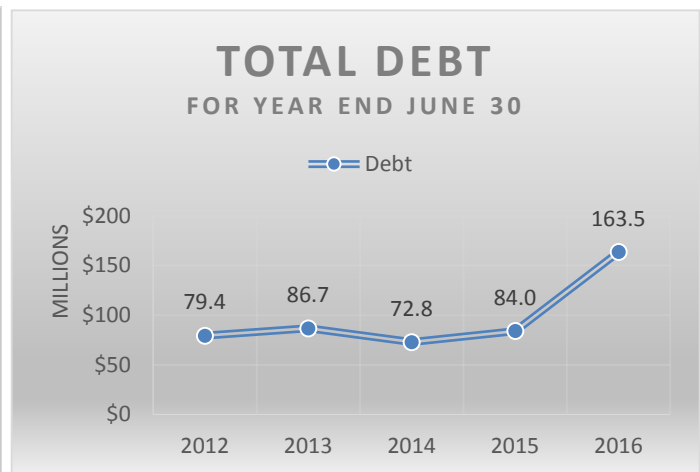
The child we raise will lead the village.

Financial Information

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

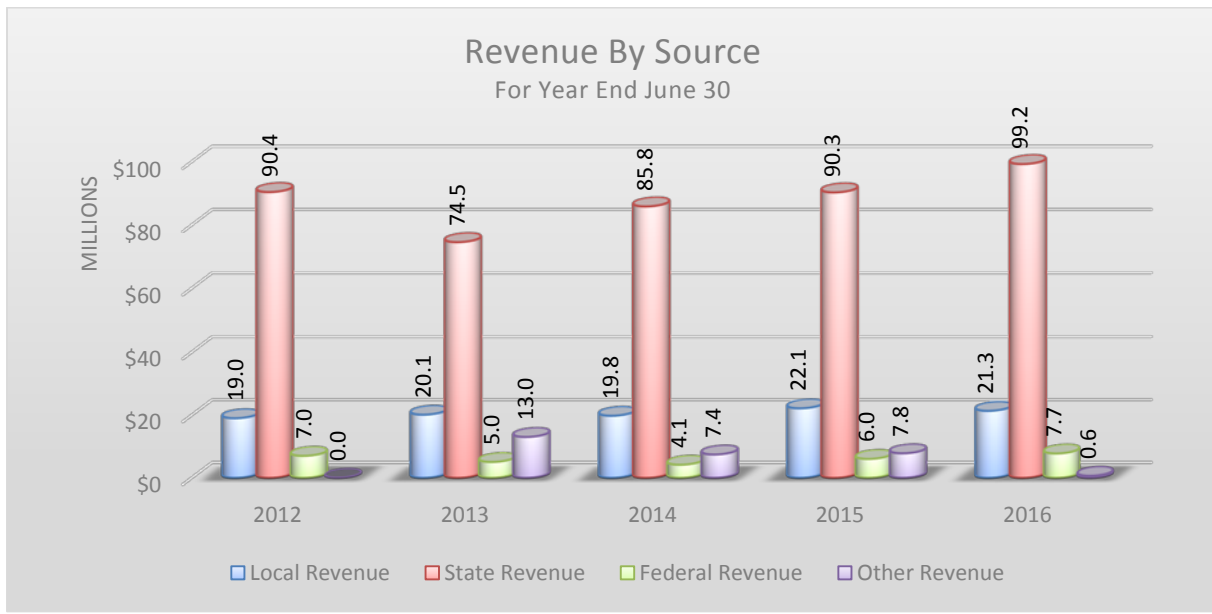
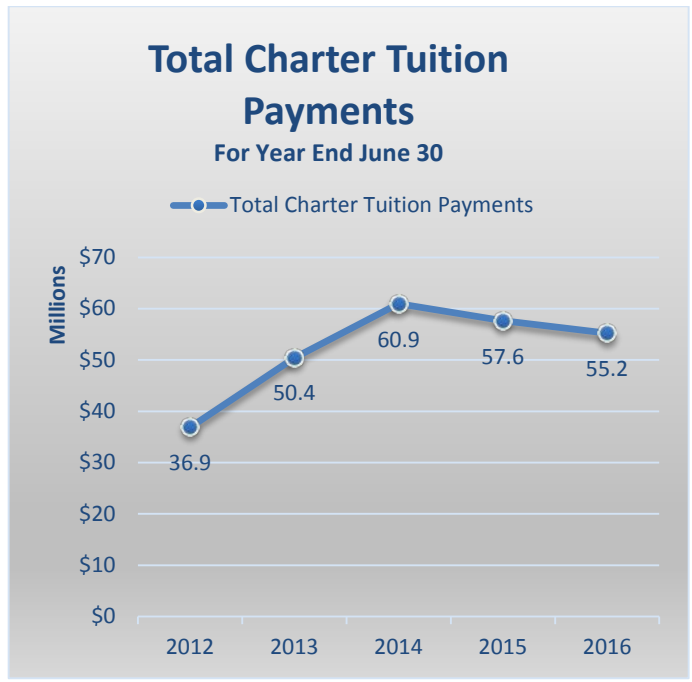
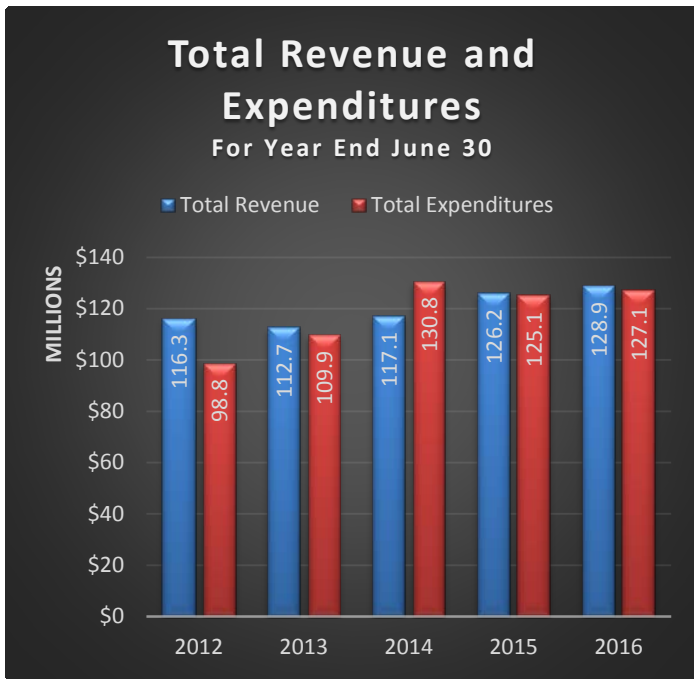


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA), Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2014-15 and 2015-16 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 chart.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. 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 exams), 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.

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

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.

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

² 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 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 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 PSSA exams to align with state Common 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.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁵ 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 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 at least 2020. 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.

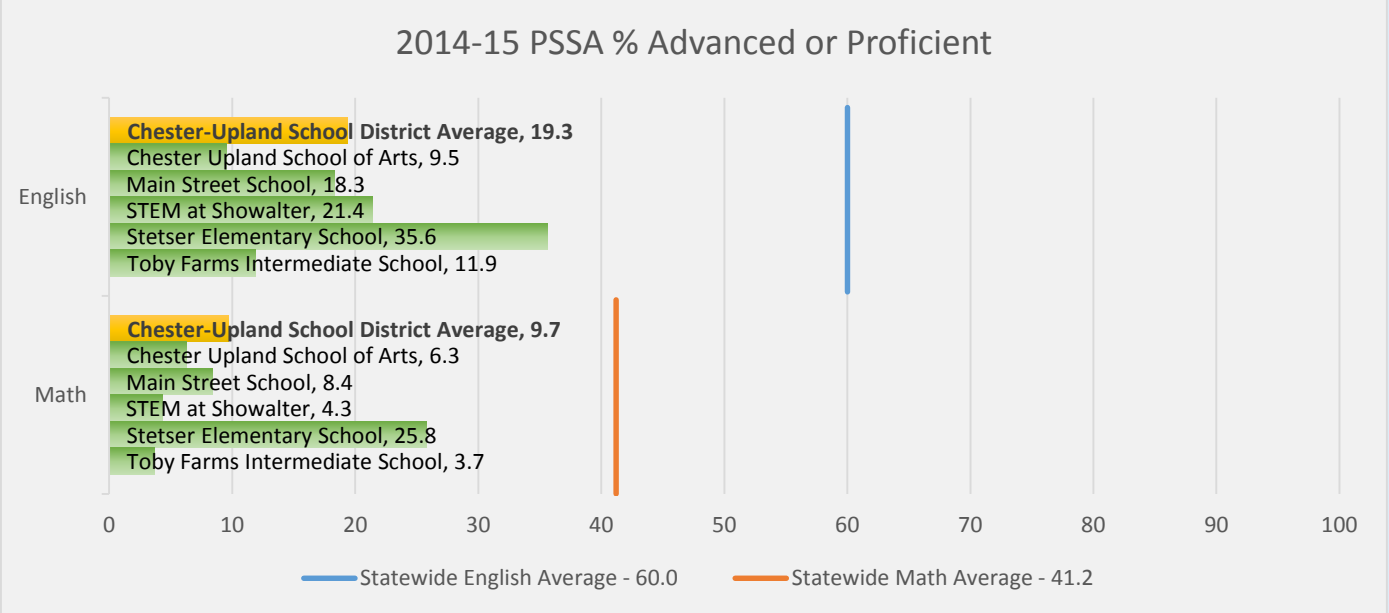
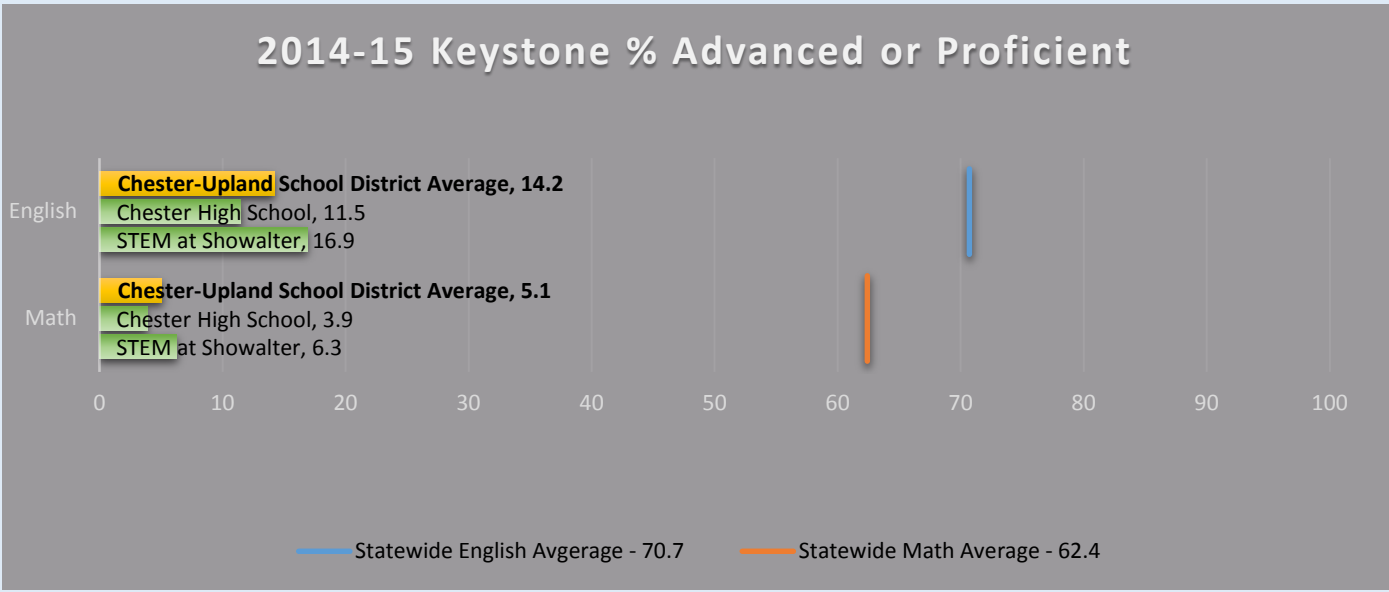
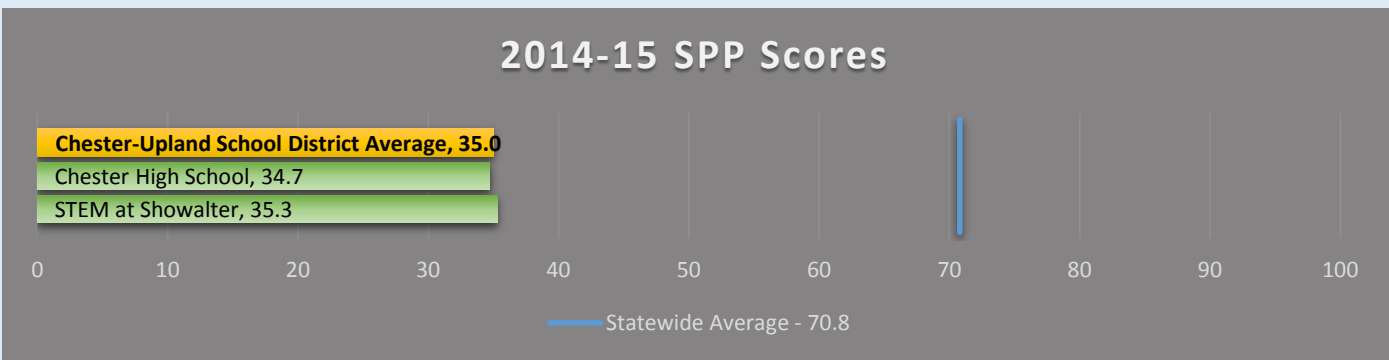
What is a 4-Year Cohort Graduation Rate?

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.⁶

⁵ 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. (Also, see footnote 4).

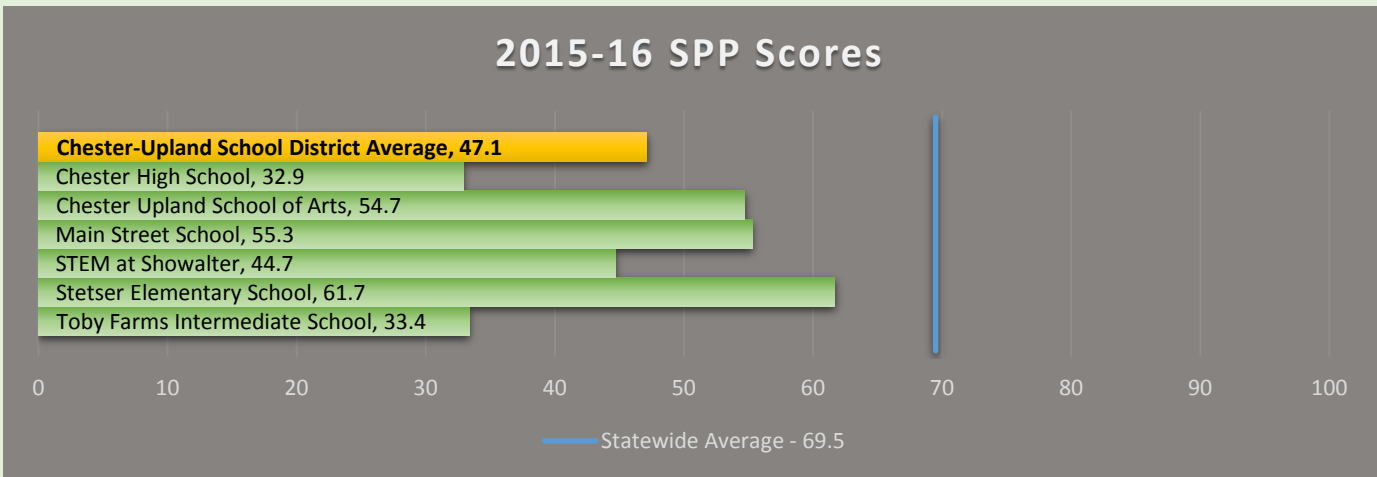
⁶ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's web site for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

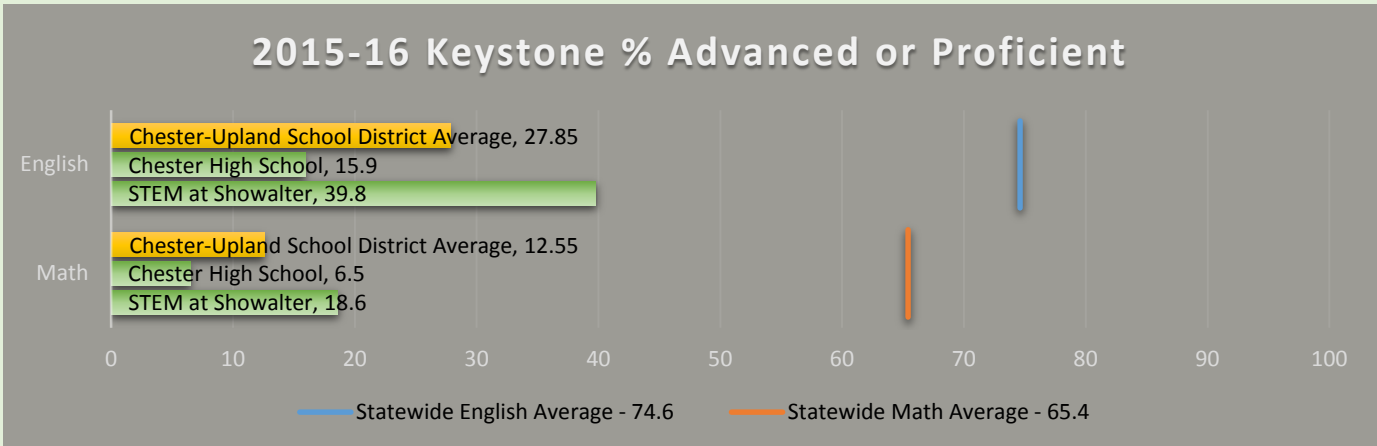


2015-16 Academic Data
School Scores Compared to Statewide Averages

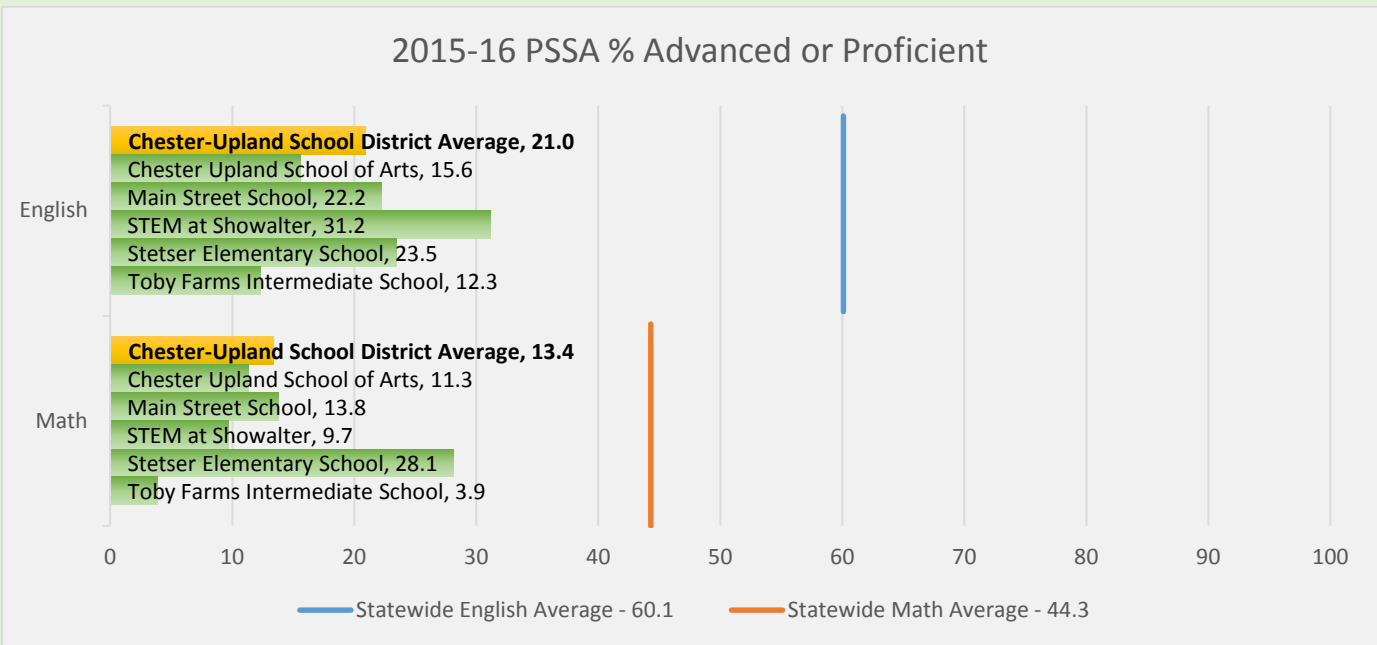
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient

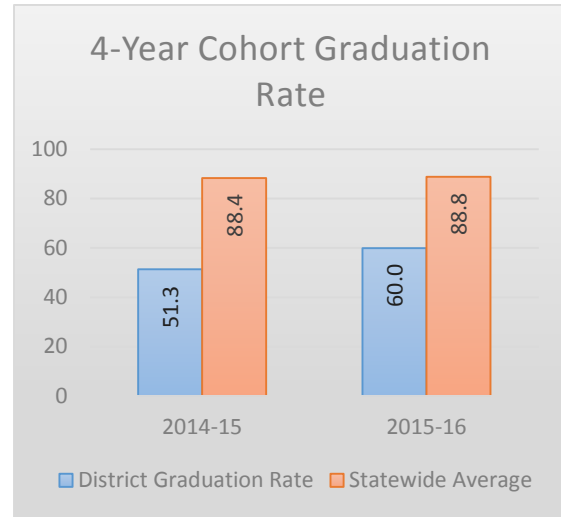


2015-16 PSSA % Advanced or Proficient



4-Year Cohort Graduation Rate

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.⁷



⁷ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx#.V1BFcdTD-JA>.

Governance

In 1994, PDE declared the District financially distressed. PDE placed this designation on the District because it had maintained an accumulated General Fund deficit in excess of two percent of its assessed value of taxable property for two consecutive years. As a result of the financially distressed designation, a Special Board of Control was appointed to operate the District. The Special Board of Control took control of the District's financial affairs on July 1, 1994, and operated the District in the place of its elected Board of School Directors.

On May 3, 2000, the Governor signed the Education Empowerment Act.⁸ As a result, PDE certified the District as an Education Empowerment District on July 3, 2000. Under the provisions of the Education Empowerment Act, PDE appointed a three-member Empowerment Board of Control to replace the Board of Control that had originally been appointed in 1994. The Empowerment Board of Control then assumed the day-to-day operations of the District and subsequently appointed an eleven-member empowerment team charged with developing a plan to improve the academic performance of the students within the District.

On March 8, 2007, the Secretary of Education issued a declaration concerning the reestablishment of a sound financial structure within the District. This declaration stated that the District's Empowerment Board of Control had operated the District for a sufficient period of time to reestablish a sound financial structure, though the District continued to face many serious educational performance problems. As a result of this declaration, the Empowerment Board of Control established in 2000 was replaced by a new three-member Empowerment Board of Control. The focus of this new Empowerment Board of Control was to improve the District's poor educational performance, while continuing to manage its fiscal condition.

The Education Empowerment Act expired on June 30, 2010. Consequently, the District's operations reverted back to its elected Board of School Directors.

In July 2012, the General Assembly passed Act 141 of 2012,⁹ which permits PDE to declare a school district to be in financial recovery status. This designation occurs when a school district's financial condition deteriorates to a point that it has to request an advance on its annual state basic education subsidy. Such designations result in PDE appointing a chief recovery officer (CRO) whose responsibilities include oversight of the district and development of a district wide financial recovery plan.¹⁰

On August 14, 2012, the Secretary of Education declared the District in Financial Recovery Status and appointed a CRO to the District. On November 13, 2012, the CRO publically presented a financial recovery plan and shortly thereafter, the elected Board of School Directors rejected that plan.

⁸ Act 16 of 2000, former 24 P.S. § 17-1701-B *et seq.* (expired June 30, 2010).

⁹ 24 P.S. § 6-601-A *et seq.*; see in particular, 24 P.S. § 6-621-A.

¹⁰ 24 P.S. § 6-633-A(1).

In December 2012, the Delaware County Court ordered the District into receivership¹¹ and appointed the CRO as the “Receiver”¹² for the period December 13, 2012, through December 15, 2015. At this time, the financial recovery plan was officially implemented. This was the same plan that the Board of School Directors had previously rejected. However, a Receiver is not required to obtain the Board of School Directors’ approval for the recovery plan. Also, a Receiver assumes all powers of the CRO and the Board of School Directors.¹³

Since December 2012, the District has operated under three state-appointed receivers. The original Receiver did not finish his term and was replaced in July 2015. The second Receiver served for just one year, from July 2015 through May 2016. The third Receiver was appointed in June 2016 and continues to serve in this position as of the date of this report.

The original financial recovery plan, implemented when the Court ordered the District into receivership, was amended in August 2015 and further revised in October 2015.

¹¹ 24 P.S. § 6-671-A.

¹² Section 672-A of Article VI–a. relating to School District Financial Recovery of the Public School Code for instances of Severe Financial Recovery, the Receiver is to “assume **all powers and duties** of both **the chief recovery officer** and **the board of school directors.**” Further, “[t]he chief recovery officer appointed for the financial recovery school district under Section 631-A shall remain in place as **an advisor** to the receiver.” (Emphases added.) See 24 P.S. § 6-672-A(a)(1) and (3).

¹³ The only powers the Receiver does not assume from the elected Board of School Directors are the ability to levy and/or raise taxes and obtain new debt. See 24 P.S. § 6-672-A.

Finding

Finding

The District Failed to Ensure School Bus Drivers Met All Employment Requirements

Criteria relevant to the finding:

Chapter 23 (relating to Pupil Transportation) of the State Board of Education Regulations, among other provisions, provides that the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations. *See, in particular*, 22 Pa. Code § 23.4. Section 111 of the Public School Code (PSC), 24 P.S. § 1-111, as amended, requires state and federal criminal background checks. Section 6344 of the State Child Protective Services Law (CPSL), 23 Pa.C.S. § 6344, as amended, requires a child abuse clearance.

Specifically, Sections 111(b) and (c.1) of the PSC require prospective school employees who have direct contact with children to submit a report of criminal history record information (CHRI) obtained from the Pennsylvania State Police, as well as a report of federal CHRI records obtained from the Federal Bureau of Investigations. These provisions also require school administrators to obtain the required records prior to employment and to maintain a copy on file with the employment application, including documentation for individuals hired by a contractor pursuant to Section 111(a.1). Section 111(b) also provides, in part: “. . . Administration shall maintain a copy of the required information.” *See* 24 P.S. § 1-111(a.1), (b), and (c.1).

The Chester Upland School District (District) did not ensure that it had obtained the required credentials and criminal history clearances for all bus drivers *before* they transported students at the beginning of the 2015-16 and 2016-17 school years. Beginning with the 2015-16 school year, the District contracted with a company to provide transportation services. The District did not obtain, review, and maintain licenses and clearances to verify that each driver met the requirements to transport District students. Instead, the District relied on its contractors to ensure that all the bus drivers were appropriately qualified.

School districts are required to verify that all bus drivers transporting students have the required credentials and criminal history clearances. To evidence compliance with this requirement, school districts must have on file a copy of the following information for all drivers who transport district students, including drivers working for a contracted transportation provider:

1. Driver qualification credentials, including a valid commercial driver’s license with an “S” endorsement, permitting the operation of a school bus, and an annual physical examination.
2. Criminal history reports/clearances including the Pennsylvania State Police Criminal Background check, the federal Criminal History Record, the PA Child Abuse Clearance, and the Arrest/Conviction Report and Certification Form.

We obtained a list of the drivers employed by the District’s primary transportation contractor and who transported District students as of May 2017. We selected 14 of the 56 drivers to determine if the District had the documents noted above for the drivers. Since the District did not have any of the above information on file, District officials had to

*Criteria relevant to the finding
(continued):*

Section 111(a.1)(a) specifies that bus drivers employed by a school entity through an independent contractor who have direct contact with children must comply with Section 111 of the PSC. *See* 24 P.S. § 1-111(a.1).

Section 111(e)(1)-(2) of the PSC lists convictions for certain criminal offenses including most major criminal offenses, such as criminal homicide, rape, and drug convictions, that require an absolute ban on employment. Section 111(f.1) provides that a ten, five, or three year look-back period for certain convictions be met before an individual is eligible for employment. *See* 24 P.S. § 1-111(e)(1)-(2) and (f.1).

Section 111(c.4) further requires administrators to review the reports and determine if the reports disclose information that may require further action. *See* 24 P.S. § 1-111(c.4).

Administrators are also required to review the required documentation according to Section 111(g)(1) of the PSC. This section provides that an administrator, or other person responsible for employment decisions in a school or institution under this section who willfully fails to comply with the provisions of this section commits a violation of this act, subject to a hearing conducted by the Pennsylvania Department of Education (PDE), and shall be subject to a civil penalty up to \$2,500. *See* 24 P.S. § 1-111(g)(1).

request this information from the contractor. We reviewed the information provided for the 14 drivers and found the following:

1. One driver's federal criminal history record had a conviction for aggravated assault. Aggravated assault is one of the offenses listed in Section 111(e)(1) of the Public School Code (PSC) that bans employment as a school bus driver.
2. One driver's federal criminal history record was incomplete. Neither the District nor the contractor had Part 3 of the record; therefore, we could not determine if this driver's criminal history contained offenses that would affect employment eligibility.
3. The timeliness of obtaining criminal history reports for six drivers could not be evaluated because the District was unable to provide us with the date the drivers started transporting District students. These six drivers had clearances dated in 2016 and 2017. If these drivers began transporting students when the District started contracting for transportation services in July 2015, these clearances would not have been received prior to being hired by the contractor or start of transporting District students.
4. One driver did not have a Pennsylvania State Police Criminal Background clearance. The clearance was subsequently provided, but it was dated August 23, 2017, which was the same day we notified the District that it was missing. Therefore, it appears that the clearance was not obtained *before* the driver began transporting students.
5. Seven drivers had Arrest/Conviction Report and Certification Forms dated in August 2017, which was after we requested the forms. Those forms could not have been completed at time of hire, as required.
6. One driver had an expired "S" endorsement, and another driver did not have a valid annual physical examination. However, valid documents were provided for both drivers after we notified the District.

*Criteria relevant to the finding
(continued):*

Section 111(j)(1) of the PSC provides that current and prospective employees complete the Arrest/Conviction Report and Certification Form indicating whether or not they have ever been arrested or convicted of any Section 111(e) or (f.1) criminal offenses. Furthermore, Section 111(j)(4) indicates that all employees subsequently arrested or convicted of a Section 111(e) or (f.1) offense must complete the form within 72 hours of the arrest or conviction and file it with administration. *See* 24 P.S. § 1-111(j)(1), (4).

See also PDE Basic Education Circular on Background Checks, issued December 12, 2011.

Section 6344.4 of the CPSL, now requires recertification of the required state and federal background checks and the child abuse clearance every 60 months. *See* 23 Pa.C.S. § 6344.4.

Board Policy #810 – *Transportation*; provides that a school bus driver shall not be employed until s/he has complied with the mandatory background check requirements for criminal history and child abuse and the district has evaluated the results of that screening process.

The District also utilized a secondary contractor for one vehicle each school year. After repeated requests to obtain the driver information related to this contract, no information (license or clearances) was provided by the District for our review.

The District administration did not believe they had a responsibility to review and maintain bus driver credentials and clearances because the drivers were not District employees. The District administration believed they could rely on the contractor to provide qualified drivers, even though the requirements of the PSC and associated State Board of Education’s regulations,¹⁴ the Child Protective Services Law (CPSL), and the District’s adopted board policy place this responsibility on the District.

Because driver credentials and clearances were not obtained and reviewed, the District was not aware of the issues that we found and described above. Considering that 1 of the 14 drivers tested had a conviction that should have banned employment and other drivers’ clearances were missing, incomplete, or may have been obtained after they began transporting students, the District should be concerned about the contractor’s ability to provide properly qualified drivers. In order to protect the safety of transported students, the District administration must be diligent in its review of licenses and clearances.

Furthermore, we noted that the Receiver does not approve contracted drivers at a public meeting. A list of contracted drivers should be approved at the start of each school year with updates throughout the year as necessary. Approval should be recorded in the meeting minutes.

We also found that the District’s policies and procedures do not require the contractor to inform the District of any drivers that are arrested or convicted of a crime listed in Section 111(e) or (f.1)¹⁵ of the PSC after they begin transporting students. Section 111(j)(4) of the PSC requires reporting via the Arrest/Conviction Certification and Report Form within 72 hours of the arrest or conviction. The District was notified of this requirement in the prior

¹⁴ *See* 22 Pa. Code § 23.4(2) which provides that “[t]he board of directors of a school district is responsible for all aspects of pupil transportation programs, including the following: *(2) The selection and approval of appropriate vehicles for use in district service and eligible operators who qualify under the law and regulations.”

¹⁵ 24 P.S. § 1-111(e), (f.1).

audit, but still has not amended its policy to address this issue.

Additionally, we noted that the District's policies and procedures do not contain any language detailing how the District would handle any current drivers with convictions falling under the absolute ban or required look-back periods contained in Section 111(e) and (f.1) of the PSC.

It is imperative that the District establish adequate policies and procedures related to bus driver qualifications, ensure that required credentials and clearances are obtained and reviewed, and obtain Receiver approval of all bus drivers in order to protect its students. The use of a contractor for student transportation does not relieve the District from these mandated responsibilities.

Recommendations

The *Chester Upland School District* should:

1. Obtain, review, and maintain licenses and clearances for all contracted drivers. Licenses and clearances should be updated, on an ongoing basis, and maintained in the District's files.
2. Review qualification information for all drivers currently used to transport students and immediately obtain any missing or incomplete licenses or clearances.
3. Consult with its solicitor concerning any current driver(s) who were convicted of offenses that would impact their eligibility to transport students.
4. Develop or revise its current Board Policy #810 to require the contractor to inform the District, within 72 hours, of any driver arrested or convicted of a crime listed in Section 111(e) or (f.1) of the PSC.
5. Develop or revise its current Board Policy #810 to describe how the District should address current drivers with convictions falling under the absolute ban or look-back periods noted in Section 111(e) or (f.1) of the PSC.

6. Approve contracted drivers at a public meeting at the start of each school year with updates throughout the year as needed.

Management Response

Management provided the following, responding to each recommendation individually.

“Recommendation #1

Consistent with Board Policies #810 and #818, CUSD will obtain, review, and maintain licenses and clearances for all contracted drivers. Licenses and clearances will be updated on a yearly basis in August and on an ongoing basis with new drivers. Records will be maintained in the District’s files. Board Policies #818 and #810 will be revised to require the collection and maintenance of the licenses and clearances of all contracted staff including drivers. The request for all current records has already been made.

Recommendation #2

Consistent with Board Policy #818, CUSD will review qualification information for all drivers currently used to transport students and immediately obtain any missing or incomplete licenses or clearances. The request for all current records has already been made.

Recommendation #3

Consistent with procedures governing internal staff, CUSD will consult with its solicitor concerning any contracted staff, including current driver(s) who were convicted of offenses that would impact their eligibility to transport students. CUSD will revise current board policy #818 to describe how the District should address all contracted staff including current drivers with convictions falling under the absolute ban or look-back periods noted in PSC Section 111(e) or (f.1). CUSD will develop Administrative Regulations for current Board Policy #818 to describe how the District should address all contracted staff including current drivers with convictions falling under the absolute ban or look-back periods noted in PSC Section 111(e) or (f.1).

Recommendation #4

CUSD will revise Board Policy #810 to include contracting for transportation and requiring the contractor to inform the District, within 72 hours, of any driver arrested or

convicted of a crime listed in PSC Section 111(e) or (f.1). CUSD will develop Administrative Regulations for current Board Policy #810, requiring the contractor to inform the District, within 72 hours, of any driver arrested or convicted of a crime listed in PSC Section 111(e) or (f.1). This same requirement will be in all future contracts and/or contract addendums.

Recommendation #5

CUSD will revise current Board Policies #810 and #818 to describe how the District should address all contracted staff including current drivers with convictions falling under the absolute ban or look-back periods noted in PSC Section 111(e) or (f.1). CUSD will develop Administrative Regulations for current Board Policies #810 and #818 to describe how the District should address all contracted staff including current drivers with convictions falling under the absolute ban or look-back periods noted in PSC Section 111(e) or (f.1).

Recommendation #6

CUSD will approve all contracted drivers at a public meeting at the start of each school year with updates throughout the year as needed. Board Policies #810 and #818 will be revised to include this requirement. All current staff will be Board approved at the next meeting.”

Auditor Conclusion

We are encouraged by the District’s intention to revise its background check and driver credentialing policies and procedures regarding contracted bus drivers. We will evaluate the effectiveness of the changes to the policies as well as review bus driver licenses and clearances during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Chester Upland School District (District) released on June 5, 2013, resulted in 12 findings and 1 observation, 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 interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on June 5, 2013

Prior Finding No. 1: The Chester Upland School District's Ineffective Governance has Prevented It from Meeting Its Primary Mission of Effectively Educating Its Students through the Judicious Use of Citizen Tax Dollars (Unresolved)

Prior Finding Summary: During our prior audit, we found that the District lacked the governance necessary to achieve its educational and operational objectives. The District's primary purpose is to effectively educate students. The District did not meet that goal as evidenced by its failure to make Adequate Yearly Progress (AYP) in each year since 2003. AYP is a school performance measurement established by the federal No Child Left Behind Act of 2001. This failure to meet its educational mission was accompanied by a breakdown in fiscal management. District management failed to establish a sound system of internal controls, and the Board of School Directors (Board) failed to develop procedures to monitor management. As a result, the District was not taking corrective action to resolve audit findings from independent auditors and the Pennsylvania Department of the Auditor General, was not retaining documentation to supports its significant state revenues, was not maintaining adequate minutes of public meetings, and was engaging in deficit spending.

Prior Recommendations: We recommended that the District should:

1. Immediately implement the recommendations in the District's last five independent financial audits and the Pennsylvania Department of the Auditor General's performance audit reports.
2. Determine what must be done to ensure that the District maintains all the documentation required to verify that it received the correct amount of state revenue.
3. Identify all of the District's key activities and then ensure that there are written policies and procedures to govern them. In addition, the District's management should develop a process for

monitoring whether staff regularly follows these established protocols. The District's strategy for implementing a system of accountability should include:

- a. Keeping proper documentation, including complete and accurate board meeting minutes.
- b. Developing policies and procedures to address the immediate implementation of all audit recommendations within a year of receiving the audit.
- c. Identifying risks that might prevent the District from properly implementing its recovery plan, and establish a mitigation plan.

We also recommended that the Chief Recovery Officer (CRO) and the Board should:

4. Hold management accountable for properly implementing the recovery plan's requirements and consistently monitor management's performance to ensure that the District has a sound operational structure.

Current Status:

Our current audit found that the District had implemented many of its independent financial audit report findings as the number of findings was reduced from 20 in the 2011-12 audit report to 2 in the 2014-15 audit report. However, the draft 2015-16 financial audit contains 9 findings, and a separate forensic audit of the District commissioned by PDE covering the 2013-14 and 2014-15 school years resulted in 32 total findings. Additionally, as noted in this report, the District has not complied with prior Pennsylvania Department of the Auditor General recommendations.

The District did not maintain documentation necessary to verify that it received the correct amount of state funding as we were unable to audit certain state reimbursements due to a lack of available documentation.

We were unable to determine if the District identified its key activities and developed written policies for those activities as no information was provided for our review. We were also unable to determine if the CRO or the Board are monitoring implementation of the recovery plan because information regarding District finances was not available for review.

Prior Finding No. 2: The District Graduated Students Who Did Not meet the Necessary Requirements (Resolved)

Prior Finding Summary: During our prior audit, we found that the District failed to ensure that its graduates met the established graduation requirements. For example, students were graduated without earning enough total credits or without earning enough credits in required areas such as language arts or mathematics. We also identified discrepancies between, and within, reports generated by the District's Student Information System (SIS) (e.g. transcripts, report cards). Furthermore, we identified graduated students with excessive absences.

Prior Recommendations: We recommended that the District should:

1. Develop procedures to ensure that only students who meet requirements are graduated.
2. Develop procedures to ensure consistency between and within reports generated by the District's SIS (transcripts and report cards).
3. Develop procedures to reconcile data in the SIS with data uploaded to the Pennsylvania Information Management System (PIMS) to ensure that accurate data is reported to PDE through PIMS.
4. Review internal controls related to student data integrity and make improvements as necessary.

Current Status: Our current audit found that the District implemented our recommendations. In April 2015, Board Policy #217, *Graduation Requirements*, was adopted. This board policy provided that graduation requirements be established and made available to all students. Graduation requirements are published in the student handbook each year. Beginning with the 2017-18 school year, a four-year plan of suggested courses is also provided, that when followed, ensures a student will meet graduation requirements. Beginning in 2016-17, each student file contains a checklist to ensure that all required documents, including transcripts, report cards, and conferences with students, are present. Missing or incomplete items are also noted and obtained. Before students are graduated, a transcript audit is completed. The guidance department along with other administrators responsible for student data also complete a series of procedures at year end to ensure that students have met graduation requirements and data is reported accurately to PIMS.

Prior Finding No. 3: Memoranda of Understanding With Local Law Enforcement Not Updated Timely (Unresolved)

Prior Finding Summary: During our prior audit, we found that the District had not updated its original Memoranda of Understanding (MOU) with three local law enforcement agencies, signed in 1999, until July 2011. The updated MOUs were not filed with PDE by the June 30, 2011 deadline as required by the Public School Code (PSC). Additionally, the District did not have a policy requiring biennial updates to its MOUs.

Prior Recommendations: We recommended that the District should:

1. In consultation with the District's solicitor, review the new requirements for MOUs and other school safety areas under the PSC to ensure compliance with amended safe schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with law enforcement agencies.

Current Status: Our current audit found that the District **did not** implement our prior recommendations. The most recently signed MOUs the District could provide were dated July 2011. These were the same MOUs provided to us in the prior audit. If the District were updating its MOUs biennially, as required, there would have been signed MOUs from 2013, 2015, and 2017. Additionally, the District provided us with a copy of a document that appeared to be a board policy containing a provision that MOUs be updated and re-executed every two years. However, that board policy did not note an adoption date, and District Administration could not confirm if the policy had been adopted or not.

Prior Finding No. 4: Board Members Failed to File Statements of Interest in Violation of the Public Official and Employee Ethics Act (Unresolved)

Prior Finding Summary: During our prior audit, we found that some members of the Empowerment Board of Control, which governed the District until June 30, 2010, did not file Statements of Financial Interest (SFI) for calendar years 2007 through 2010. We also found that some members of the elected Board of School Directors, which governed the District after June 30, 2010, did not file a SFI for calendar years 2010 and 2011.

Prior Recommendations: We recommended that the District should:

1. Seek the advice of its solicitor in regard to the District's responsibility when a board member fails to file a SFI.
2. Develop procedures to ensure all individuals required to file SFIs do so in compliance with the State Ethics Commission Act.

Current Status:

Our current review found that the District **did not** comply with our recommendations. We reviewed SFI filings for the Receivers and elected Board of School Directors for calendar 2015 and 2016. We found that two board members in 2015 and one board member in 2016 failed to file their statements. Also, one board member filed their 2015 statement after the May 1st deadline. Additionally, four board members filed incomplete or incorrect forms for 2015 and/or 2016, suggesting that District administration does not review submitted forms.

Prior Finding No. 5: School Board Meeting Minutes Incomplete (Partially Resolved)

Prior Finding Summary: During our prior audit of the District, we found inadequacies in the public meeting minutes we reviewed for the period of July 19, 2007, through May 19, 2011. Minutes for 37 monthly meetings of the Empowerment Board of Control from July 19, 2007, through July 1, 2010, were not available for review. The Empowerment Board of Control acted in place of the elected Board of School Directors until the Empowerment Act expired on June 30, 2010. Elected Board of School Directors minutes that were available for review had the following concerns: the minutes were not officially approved; were not permanently bound; did not note the attendance of board members; did not record the number of votes taken on items brought before the Board of School Directors; did not include Treasurer Reports for review; did not contain details about bill payments, bid awards, general fund budgets, budget transfers and capital projects approved by the Board of School Directors; did not note approval of the school calendar each year; and, did not record board officer elections or appointments of the solicitor or Treasurer.

Prior Recommendations: We recommended that the District should:

1. Ratify prior meeting minutes for approval only upon assuring that actions of the Board of School Directors are properly recorded.
2. Require its Board Secretary to refer to the School Board Secretary's Handbook published by the Pennsylvania School

Board Secretaries to understand how the meeting minutes should be compiled.

3. Require its Board Secretary to sign all board meeting minutes in a timely manner.
4. Require its Board Secretary to keep a complete, correct, and proper record of the minutes including, but not limited to a(n):
 - a. Listing board members and their attendance.
 - b. Recording of board members' votes.
 - c. Monthly treasurer's report.
 - d. Detailed list of bill payments, bid awards, general fund budgets, budgetary transfers, and capital projects approved by the Board of School Directors.
 - e. Recording of the approved school calendar.
 - f. Explanation of the Board of School Directors' reorganization, election of officers, and appointment of the District's solicitor and treasurer.

Current Status:

Our current review found that the District implemented some of our recommendations, but not others. We reviewed meeting minutes for the period August 16, 2012, through May 24, 2017, and found that minutes from previously held meetings were approved timely, and the minutes contained appropriate items such as the attendance of the Receiver or Board of School Directors, a recording of votes, a treasurer's report, bill list, bid awards, budget items, capital projects, and approval of the school calendar. However, hard copy minutes were not signed when we reviewed them. Minutes from the current Receiver's tenure were subsequently signed when we informed the District. Online copies of minutes were not signed. In addition, the District did not keep its board meeting minutes that are available on the District's website current. As of September 2017, the most recent meeting minutes available online were for the January 19, 2017 meeting. Additionally, there was no evidence of elected Board of School Directors' reorganization meeting minutes for the 2013-14, 2014-15, or 2016-17 school years. Finally, we found that minutes were not permanently bound.

Prior Finding No. 6: The District Violated the Public School Code and Sound Business Practices by Over Expending Its Budgets and Engaging in Deficit Spending (Unresolved)

Prior Finding Summary: During our prior audit, we found that the District over-expended its budgets for 2009-10, 2010-11, and 2011-12 school years by a total of \$19.3 million. In addition, the District engaged in deficit spending for two years when actual expenditures exceeded actual revenues by \$21.4 million. Over-expending the budget was a violation of the PSC and more importantly, prevented the District from using its budgets as a financial planning tool, since they did not accurately reflect the District's fiscal position. Deficit spending diminished the District's ability to maintain a healthy fund balance, which could have been used to help withstand financial difficulties.

Prior Recommendations: We recommended that the District should:

1. Ensure adequate controls are in place to comply with Section 609 of the PSC and not approve expenditures that exceed budget limits.
2. Prepare accurate and balanced budgets using historical data as a guide to estimate available revenues.
3. Use monthly budget status reports to scrutinize proposed expenditures for current operations and limit them to revenues received and the amounts appropriated.

Current Status: Our current audit found that the District **did not** implement all of our recommendations. We reviewed the financial audit information for the six school years of 2010-11 through 2015-16 and found that actual expenditures exceeded budgeted expenditures in all years except 2015-16. We also found that the District did not prepare balanced budgets as budgeted expenditures exceeded budgeted revenues in all years except 2011-12. Furthermore, we found that the District's actual expenditures exceeded actual revenues, resulting in an operating deficit, in all years except 2011-12 and 2015-16. Finally, we were unable to determine if the District uses monthly budget status reports to scrutinize expenditures as District officials did not provide responses to our inquiries nor did they provide documentation to support implementation of the prior audit recommendation.

Prior Finding No. 7: The District Lacked Sufficient Documentation to Support Certain Expenditures (Partially Resolved)

Prior Finding Summary: During our prior audit, we found that the District did not maintain the necessary documentation to determine if payments totaling \$183,745 made to departing administrators were appropriate. Missing documentation included employment contracts, leave balance worksheets, and Act 93 agreements. Additionally, our prior audit found that the District did not maintain necessary bid documentation such as bid advertisements, bids received, bid awards, purchase orders, invoices, receiving reports, and payment verification. Without that documentation, it is impossible to verify if the District bid for items that required bidding, and more importantly, if the District was properly expending its resources.

Prior Recommendations: We recommended that the District should:

1. Put procedures in place to ensure that all documentation necessary to justify expenditures to administrators is properly retained.
2. Maintain files for each bid containing the evidence of advertisement in at least two newspapers, the results of the bid, who was awarded the bid, itemized invoices, purchase orders, and payment documentation.

Current Status: During our current audit, we reviewed documentation related to the departures of six contracted administrators who separated from the District between April 2013 and June 2017. Our review disclosed no reportable conditions related to the administrator's separation.

However, we could not determine if our other recommendation was implemented because the District did not provide responses to our inquiries about the process it uses to procure goods and services through a competitive bidding process.

Prior Finding No. 8: Failure to File District Annual Financial Reports in a Timely Manner (Unresolved)

Prior Finding Summary: During our prior audit of the District, we found that the annual financial report (AFR) for the year ended June 30, 2011, was not filed with PDE until July 13, 2012. The due date for filing was October 31, 2011.

Prior Recommendations: We recommended that the District should:

Direct its personnel responsible for the compiling and filing the AFR to do so prior to PDE's established due date for any fiscal year.

We also recommended that PDE should:

Continue to be cognizant of the untimely transmittal of the District's AFR and, if future submissions are late, take appropriate action.

Current Status:

Our current audit found that the District **did not** implement our prior audit recommendation. We reviewed the AFR filings for four fiscal years 2012-13 through 2015-16 and found that only the 2012-13 AFR was filed on the due date of October 31, 2013. We found that the 2014-15 and 2015-16 AFRs were filed several months after the due dates. Specifically, the 2014-15 AFR wasn't filed until May 11, 2016, and the 2015-16 AFR was filed on January 10, 2017. We could not determine when the 2013-14 AFR was originally filed because the District could not locate a copy of the original filing. The District did provide us with a copy of the revised AFR that was filed on March 11, 2015.

Prior Finding No. 9: Inaccurate Reporting of Child Accounting Data to the Pennsylvania Information Management System (Resolved)

Prior Finding Summary: During our prior audit of the District, we found that, for the 2009-10 and 2010-11 school years, hundreds of student records in the District's SIS were not uploaded to PIMS. We were not able to determine why for all the student records, but some were not uploaded because a calendar was not created within PIMS to accept the records. Other records were not uploaded because the student record did not contain a PA Secure ID, which is a unique identifier assigned to each student. PDE used the data in PIMS to determine certain state subsidies. Therefore, the lack of adequate internal controls over student data reporting may have caused the District to receive an improper amount of state funding.

Prior Recommendations: We recommended that the District should:

1. Develop procedures to ensure that all necessary calendars have been created within PIMS.
2. Develop procedures to ensure that all students educated by the District have been assigned a PA Secure ID in the District's SIS.

3. Reconcile the printouts from the SIS with the printouts from PIMS to ensure that all student records have been properly uploaded.
4. Develop procedures to ensure consistency between reports generated by the SIS.

Current Status:

Our current audit found that the District implemented our prior audit recommendations. According to District officials, beginning with the 2014-15 school year, the District implemented the following procedures: All school calendars for PIMS submissions are created at the beginning of each school year. The numbers of calendars needed is determined through collaboration between District administration, staff, and other stakeholders. The District created a search routine within its SIS to find students without a PA Secure ID. Any students found not to have a PA Secure ID are assigned one and are checked again to ensure there are no duplicate PA Secure IDs. Multiple checks are run between various SIS reports and PIMS extract files to identify errors and make corrections before the files are submitted to PIMS. Any errors identified once the files are submitted are corrected via analysis of the data housed in the SIS. Varying reports within the SIS are also examined for consistency. Any inconsistencies found are addressed by the District's child accounting department.

Prior Finding No. 10: The District Continues to Lack Adequate Documentation to Support That It Received the Correct State Subsidies and Reimbursements (Unresolved)

Prior Finding Summary: During our prior audit, we found that the District did not retain sufficient documentation to support approximately \$277.8 million in state funding received between the 2006-07 and 2009-10 school years. Missing documentation included award letters, budgets and expenditure reports, reconciliation reports, and grant applications related to basic education and special education funding, charter school reimbursement, social security and Medicare tax reimbursement, and state retirement funding.

Prior Recommendations: We recommended that the District should:

1. Retain all documentation, applications, notification letters, and expenditure reports for all state subsidies received.
2. Ensure that a listing of the students, vocational courses completed, and membership days reported is maintained to support data reported for the Vocational Education Subsidy.

3. Maintain files for each grant containing the application, approval, budget and any revisions filed, documentation of receipt (such as a copy of the check transmittal and/or check), expenditure reports, invoices, purchase orders, and documentation to support other requirements of the grant.
4. Upon receipt of state funds, reconcile the amounts received to amounts applied for, and check all calculations to ensure that the District receives the funds for which it is entitled.

We also recommended that PDE should:

5. Review the propriety of the payments it made to the District and determine if any adjustments should be made.
6. Require the District to maintain sufficient, competent, and relevant evidence to ensure proper justification for the receipt of state funds.

Current Status:

Our current audit found that the District **did not** implement our recommendations. The District was unable to provide any of the information requested related to vocational education subsidy, retirement reimbursement, or rental reimbursement. Due to this scope limitation, we were unable to conclude on the accuracy of the data reported to PDE which is then used to calculate the state funding awarded to the District.

Prior Finding No. 11: The District Lacked the Documentation Necessary to Verify Bus Drivers' Qualifications (Unresolved)

Prior Finding Summary: During our prior audit of the District, we found that 6 of 38 bus drivers tested were transporting students without having mandatory background clearances on file. These drivers were missing one or more of the following: Pennsylvania State Police criminal history reports, federal criminal history report, and PA Child Abuse history clearance. In addition to ensuring compliance with state laws and regulations, reviewing this clearance information helps the District protect the safety and welfare of students transported on school vehicles.

Prior Recommendations: We recommended that the District should:

1. Immediately obtain the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications.

2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Maintain files for all District drivers to ensure that the files are up-to-date and complete.

Current Status:

Our current audit found that the District **did not** implement our recommendations. The District provided clearance information for four drivers cited in the prior audit that were subsequently employed by the District's transportation contractor after the District discontinued its own transportation service in June 2015. The clearances that were provided were obtained in July, August, and September 2015. The District was notified that the clearances were missing in August 2011. One of the remaining two drivers continued to drive for the District until June 2015 but did not transfer to the contractor. The District could not provide clearance information for this individual. Therefore, the District was not timely aware if these five drivers met the requirements to transport students. The remaining driver departed District service in October 2011, shortly after the District was notified of the missing clearance information. Furthermore, our current review of bus driver qualifications found that the District has not obtained, reviewed, or maintained licenses and clearances for current drivers we selected for review. Refer to the Finding beginning on page 10.

Prior Finding No. 12: Certification Deficiencies (Partially Resolved)

Prior Finding Summary: During our prior audit, we found 30 professionals employed by the District for the period July 1, 2010, through February 6, 2012, that were assigned to positions without holding a valid and appropriate certificate. PDE's Bureau of School Leadership and Teacher Quality (BSLTQ) confirmed these deficiencies. As a result, the District was subject to a subsidy forfeiture of \$32,770.

Prior Recommendations: We recommended that the District should:

1. Put procedures in place to compare teachers' certifications 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.

3. Require District personnel to submit job descriptions to BSLTQ for locally titled positions and adhere to BSLTQ’s determination for properly certified staffing positions.
4. Require District personnel to create and maintain a complete school district directory of all teachers and administrators, which would be updated annually.
5. Require District personnel to maintain complete and accurate teachers’ schedules in all buildings, and make them available for audit.

We also recommended that PDE should:

6. Recover the subsidy forfeiture levied as a result of BSLTQ’s determination.

Current Status:

Our current audit found that of the 30 individuals cited in the prior audit, only 3 are still employed by the District and those 3 are properly certified for their current positions. We could not fully determine if our other recommendations were implemented. District personnel indicated that teacher certificates are compared to position requirements to ensure that properly certified individuals are assigned to each position. District personnel also indicated that the District does not have any locally titled positions as of June 2017. Furthermore, District personnel indicated that a personnel directory is maintained and updated at least annually. However, the District did not provide documentation to verify those assertions. Additionally, teacher schedules were not provided. Finally, the District did not provide the documents we requested so we could determine if PDE withheld the forfeiture levied.

Prior Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications (Unresolved)

Prior Observation Summary:

During our prior audit, we found that the District did not have written policies or procedures in place to ensure that they were notified if current employees had been charged with or convicted of serious criminal offenses that should have been considered for the purpose of determining continued suitability to be in direct contact with students. This lack of written policies and procedures was an internal control weakness that could have resulted in the continued employment of individuals who may have posed a safety risk to students.

Prior Recommendations: We recommended that the District should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District, and/or the District's transportation contractors, have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Current Status:

Our current audit found that the District **did not** implement our recommendations to develop specific policies and procedures. While the District contracted out transportation services beginning with the 2015-16 school year, the District is still responsible for ensuring that all of its contracted bus drivers have complied with the applicable state laws and regulations related to background clearances and qualifications. The lack of policies and other related issues are noted in the Finding beginning on page 10.

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 school district management and board of directors, 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,¹⁶ 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, except for the ability to obtain sufficient, appropriate evidence as disclosed below. 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 for the audit objectives unaffected by the scope limitation provides a reasonable basis for our findings and conclusions based on those audit objectives.

Scope

Overall, our audit covered the period July 1, 2012, through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

Due to high turnover in senior management and with those charged with governance, as well as the move of the administrative offices to another location, the Chester Upland School District's (District) records were often incomplete and/or inaccessible, disorganized, or could not be located. In addition, District officials did not provide responses to many of our inquiries. Consequently, the District was unable to provide us with the sufficient and appropriate evidence necessary to conclude on the following audit areas and related audit objectives: Transportation Operations, Financial Stability, and Rental and Retirement Reimbursements.

District management is responsible for establishing and maintaining effective internal controls¹⁷ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). For the audit areas unaffected by the scope limitation, we obtained an understanding of the District's internal controls, including 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. Deficiencies in internal control that were identified during the conduct of our

¹⁶ 72 P.S. §§ 402 and 403.

¹⁷ 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.

audit and determined to be significant within the context of our audit objectives are included in the finding titled, “District Failed to Ensure School Bus Drivers Met All Employment Requirements.” In addition, internal control deficiencies were identified during our determination of the status of prior audit findings. With the exception of the deficiencies contributing to the finding, these deficiencies weren’t considered significant to the objectives of the audit but were reported because they warranted the attention of those charged with governance. If the scope of our audit had not been impacted, additional internal control deficiencies significant to the affected audit areas may have been identified.

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, 2012, through June 30, 2016. 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. We evaluated or attempted to evaluate the District’s performance in the following areas:

- ✓ Bus Driver Requirements
- ✓ School Safety
- ✓ Financial Stability
- ✓ Administrator Contract Buyout
- ✓ Transportation Operations
- ✓ Rental and Retirement Reimbursements

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 bus drivers transporting District students had the required driver’s license, physical exam, training, background checks, and clearances as outlined in applicable laws?¹⁸ Also, did the District have written policies and procedures governing the hiring of new bus drivers as well as currently employed bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected 14 of 56 bus drivers hired by the District’s primary bus contractor between July 1, 2015, and May 2, 2017, and reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures

¹⁸ 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.

governing the hiring of new bus drivers and currently employed bus drivers to determine if those procedures align with bus driver employment requirements. Our review of this objective disclosed a reportable issue as noted in the finding beginning on page 10 of this report.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁹
 - To address this objective, we interviewed District personnel, conducted visual inspections at the high school, and reviewed fire risk assessments completed by an external entity. 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.

- ✓ 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? Also, did the District implement the elements of its approved financial recovery plan?
 - We reviewed the approved budgets for the audit period and noted that the District did not prepare balanced budgets. We also reviewed the District's Annual Financial Reports and noted that the District did not timely file the reports with PDE. (See status of prior audit Finding No. 6). We analyzed independent auditor reports through the 2014-15 school year. The 2015-16 audit report was not yet complete and, therefore, unavailable for review. However, we were not able to obtain answers to a series of other questions based on that analysis; therefore, we could not conclude on this portion of the objective.

 - We reviewed the revised, amended financial recovery plan adopted in October 2015 and attempted to determine the status of implementation of that plan. The plan included numerous initiatives and we requested information related to each of them. We reviewed the charter school tuition reduction agreement, but could not determine the resulting financial impact to the District because District officials did not provide responses to our inquiries. We also reviewed documentation relating to additional state funding but were unable to determine how much the District has received or how long the funding will continue because, again, District officials did not provide responses to our inquiries. Furthermore, we reviewed documentation relating to interest free loans to the District from PDE and were able to determine that repayment has been deferred from its initial start date in accordance with the recovery plan. We were unable to determine if other provisions of the financial recovery plan were implemented because the District did not provide the information requested. Due to the lack of information, we were unable to obtain sufficient and appropriate evidence to conclude on this objective.

¹⁹ 24 P.S. § 13-1301-A *et seq.*

- ✓ Did the District pursue a contract buy-out with any administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code²⁰ and Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the contracts, settlement agreements, payroll and leave records, and other benefit records for the six administrators who separated from the District between April 2013 and June 2017. Our review of the objective did not disclose any reportable issues.
- ✓ Did the District accurately report transportation data to the Commonwealth, and did the District receive the correct transportation reimbursement from the Commonwealth?²¹ Did the District pay the contractor according to the terms of its transportation contract?
 - We requested various transportation-related documents, but the District could not provide the necessary vehicle, student, or cost information requested. Furthermore, the District did not provide a complete contract for its primary contractor and did not provide any contract for its other transportation provider; therefore, we could not determine if the providers were paid in accordance with the contracts.

Due to the lack of information, we were unable to obtain sufficient and appropriate evidence to conclude on this objective.

- ✓ Did the District receive the correct amount of rental reimbursement²² from the state for the 2013-14 school year? Did the District receive the correct amount of retirement reimbursements²³ from the state for the 2014-15 and 2015-16 school years?
 - We performed an analytical review of the rental reimbursements received during the audit period. After noting variances in the amounts received for the 2013-14 school year, we requested information related to the District's rental reimbursements. However, the District could not provide reimbursement applications that corresponded with PDE payments for 2013-14 school year reimbursement.
 - We also performed an analytical review of the District's retirement reimbursements received during the audit period. Using the results of that analysis, we requested documentation related to these reimbursements for the

²⁰ 24 P.S. § 10-1073(e)(2)(v).

²¹ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

²² A school district may receive "rental" reimbursements when undertaking a major construction project. Typically, such projects are financed through bond issues. Once PDE approves the project as reimbursable by the state, school districts may apply for reimbursement as bond payments are made.

²³ Retirement reimbursement is the state share of the District's required contributions to PSERS. Districts apply for reimbursement quarterly.

2014-15 and 2015-16 school years, but the District provided none of the information requested.

Due to the lack of information, we were unable to obtain sufficient and appropriate evidence to conclude on this objective.

Distribution List

This report was initially distributed to the Superintendent of the District, the Receiver, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Joe Torsella

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

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. Nathan Mains

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

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