

COPY

**PENNSYLVANIA DEPARTMENT OF EDUCATION
AUDIT REVIEW PROCEDURES
AUDITOR GENERAL'S LOCAL EDUCATIONAL AGENCIES PERFORMANCE AUDIT REPORTS**

<u>ACTION BY:</u>	<u>STEP</u>	<u>ACTION</u>
Secretary of Education	1.	Receives copy of Performance Audit Report for each Local Educational Agency (LEA) from the Office of the Auditor General.
Audit Coordinator Department of Education	2.	Requests response/corrective action from the LEA when report contains findings, observations, or recommendations to the auditee. Forwards request to the LEA Administrator ¹ with a copy to the President/Chair of the LEA's Board of Directors and the Secretary.
LEA Administrator ¹	3.	Forwards LEA Performance Audit Report for response to established Audit Review Committee or the Board acting as a whole.
LEA Audit Review Committee or Board of Directors	4.	Prepares response to each finding, observation and recommendation including a Corrective Action Plan addressing each determination. Forwards response to President/Chair of the Board for Board action.
LEA Board of Directors	5.	Passes resolution adopting and approving the response and the Corrective Action Plan . Forwards response and any supporting documentation to LEA Administrator ¹ .
LEA Administrator ¹	6.	Forward the Audit Response Package to the Pennsylvania Department of Education, Bureau of Budget and Fiscal Management, Division of Budget, 333 Market Street – 4 th Floor, Harrisburg, Pennsylvania 17126-0333. The Audit Response Package should include: <ul style="list-style-type: none"> • Date of Board Meeting/Board Certification/Adopting the Response and Corrective Action Plan • Description of Finding or Observation • Statement of Concurrence or Nonconcurrence • LEA's Response, Corrective Action Plan, Resolution, Supporting Documentation • Implementation Dates of Each of the Corrective Action Steps • Description of Monitoring Procedures to Ensure Implementation of the Corrective Action • Signature of the LEA Administrator¹

The Audit Response Package is due at the Department of Education within **45 days** of receipt of the PDE's request.

¹LEA Administrator is:

- Superintendent of a School District;
- Executive Director of an Intermediate Unit;
- Superintendent of Record for an Area Vocational Technical School;
- Chief Administrative Officer for Charter School;
- President of Postsecondary Educational Agencies.



June 26, 2019

Dr. Anthony Hamlet
Superintendent
Pittsburgh Public Schools
341 South Bellfield Avenue
Pittsburgh, PA 15213

Re: Auditor General's Performance Audit Report
Fiscal Years Ending June 30, 2018, 2017, 2016 and 2015

Dear Dr. Hamlet:

The Department of Education (Department) has received the Pittsburgh Public Schools Performance Audit Report for years ended June 30, 2018, 2017, 2016 and 2015 issued by the Department of the Auditor General.

Please review, evaluate and respond to the Performance Audit Report using the attached Audit Review Procedures (Attachment A). Your response shall also include a **Corrective Action Plan** (CAP) with the description of the Finding or Observation, a statement indicating the concurrence or nonconcurrence with the Audit Report's Findings/Observations and Recommendations, specific steps to be taken to correct the situation or specific reasons why corrective action is not necessary, a timetable for the implementation of each corrective action step, and a description of monitoring procedures performed to ensure implementation of the corrective action steps.

Please Note – If the Performance Audit Report identifies a potential educator certification violation, you will be contacted directly by the Department's Bureau of School Leadership and Teacher Quality (BSLTQ). Please direct any questions regarding the Certification Irregularity Findings to the BSLTQ.

The response and **Corrective Action Plan** should be signed by you and transmitted on the Pittsburgh Public Schools' official stationery within **forty-five (45)** days of receipt of this letter, **August 12, 2019**, to the following address:

Clayton P. Carroll, II, Audit Coordinator
Bureau of Budget and Fiscal Management
Department of Education
333 Market Street – 4th Floor
Harrisburg, Pennsylvania 17126-0333

or

For your convenience the documentation can be emailed to RA-EDAudits@pa.gov

Dr. Anthony Hamlet
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June 26, 2019

Audit Reports are available under the Pennsylvania Department of the Auditor General's website, www.paauditor.gov. If you have any questions, please contact Clayton Carroll at (717) 265-7496.

Sincerely,



Clayton P. Carroll, II, Audit Coordinator

CPC/ac

Attachment

cc: Ms. Lynda Wrenn, Board President
Mr. Ira Weiss, Board Secretary



Agenda Item Details

Meeting	Jul 24, 2019 - Legislative Meeting
Category	12. Business/Finance/General Authorization
Subject	12.05 Acceptance of Audit Report (Operations/Law) - RESOLVED, that the Board of Directors of the School District of Pittsburgh authorize its proper officers to accept the audit report issued by the Office of the Auditor General of the Commonwealth of Pennsylvania on June 20, 2019 for the audit report period of July 1, 2014 through June 30, 2018. Please see attachment A: Auditor General Report June 2019, attachment B: Concurrence or Non-concurrence to Findings, attachment C: Findings and Response Summary, and attachment D: Corrective Action Plan.
Access	Public
Type	Action, Discussion, Information
Preferred Date	Jul 25, 2019
Absolute Date	Jul 25, 2019
Fiscal Impact	No
Budgeted	No
Recommended Action	RESOLVED, that the Board of Directors of the School District of Pittsburgh authorize its proper officers to accept the audit report issued by the Office of the Auditor General of the Commonwealth of Pennsylvania on June 20, 2019 for the audit report period of July 1, 2014 through June 30, 2018. Please see attachment A: Auditor General Report June 2019, attachment B: Concurrence or Non-concurrence to Findings, attachment C: Findings and Response Summary, and attachment D: Corrective Action Plan.
Goals	Efficient and effective support operations

Public Content

Board authorization is requested to accept the audit report issued by the Office of the Auditor General of the Commonwealth of Pennsylvania on June 20, 2019 for the audit report period of July 1, 2014 through June 30, 2018. Please see attachment A: Auditor General Report June 2019, attachment B: Concurrence or Non-concurrence to Findings, attachment C: Findings and Response Summary, and attachment D: Corrective Action Plan.

(A)- Auditor General Report June 2019.pdf (580 KB)

(B) Concurrence or Non-Concurrence to findings.pdf (115 KB)

(C) Findings and Response Summary.rev.pdf (93 KB)

(D) Corrective Action Plan for Transportation Audit June 2019.pdf (77 KB)

Administrative Content

Who will this benefit? - The District

Where will the activities/services occur and how was this school/location selected? - N/A

Motion & Voting

RESOLVED, that the Board of Directors of the School District of Pittsburgh authorize its proper officers to approve the July 24, 2019 Business/Finance Report.

This report was approved as a whole 8-0-0.

Item 10.09 was approved by a vote of 6-2-0. (See item for vote)

Item 10.10 was approved by a vote of 6-2-0. (See item for vote)

Item 10.11 was approved by a vote of 7-1-0. (See item for vote)

Item 10.13 was approved by a vote of 5-3-0. (See item for vote)

Item 10.14 was approved by a vote of 5-3-0. (See item for vote)

Item 10.15 was approved by a vote of 5-3-0. (See item for vote)

Item 10.16 was approved by a vote of 6-2-0. (See item for vote)

Item 10.18 was approved by a vote of 7-1-0. (See item for vote)

Item 10.19 was approved by a vote of 6-2-0. (See item for vote)

Item 10.20 was approved by a vote of 5-3-0. (See item for vote)

Item 10.21 was approved by a vote of 7-2-0. (See item for vote)

Motion by Sylvia Wilson, second by Cynthia Falls.

Final Resolution: Motion Carries

Yea: Kevin Carter, Veronica Edwards, Cynthia Falls, Regina Holley, Terry Kennedy, Sala Udin, Sylvia Wilson, Lynda Wrenn

**School District of Pittsburgh
 Audit Response Package
 Transportation Audit 2015 - 2018**

Notification to Board including Finding description and Statement of Concurrence or Nonconcurrence:

Weekly Board Update June 7, 2019 – Auditor General Transportation Audit – Summary of Findings and Districts Responses:


The District received notification on August 6, 2018 that the Auditor General would begin a performance audit on August 22, 2018. The audit period covered July 1, 2014 through June 30, 2018. The audit focused on transportation costs, procurement processes, monitoring of procedures, and cost effectiveness of the transportation contracts. Under State Fiscal Code 72 P.S. section 1.5 of Act 44, the District must submit a response to the Department detailing adoption of all their recommendations, or the reason why the recommendations will not be adopted within 120 business days of the publication of the audit report.

The Auditor General issued five (5) findings. We have provided a summary table below which list the finding, indication of the District's agreement or disagreement with the finding and a brief District response. A detailed District response can be found in the attachments. Also included in the attachments is the draft Auditor General findings. The Auditor General is expected to issue a final report this summer.

Auditor's Finding	District's Agreement	Summary District Response
Verbal #1- The Board of School Directors Failed to Approve Bus Driver List.	Agrees	Currently the District does have a procedure to evaluate the results and review clearances, however the District doesn't seek Board approval for bus drivers. The transportation Department has an existing "Driver/Monitor Credentials & Clearance Checklist, which is used to document the clearance process and the required paperwork.
Finding #1 - The District Did Not Competitively Bid Its Transportation Contracts and Used A Standard Rate Schedule That May Have Negatively Impacted Its Costs.	Disagrees	Pittsburgh Public Schools does not believe that a request for bids or proposals would be beneficial for a district of our size. The District requires the use of several different carriers to obtain the number of vehicles necessary to meet the needs of our student population.
Finding #2 - The District Missed an Opportunity to Receive Fuel Tax Refunds Totaling an Estimated Nearly \$2 Million By Not Requiring	Agrees	Management does agree with the finding, regarding the District missing an opportunity to receive fuel tax refunds between 2011 to 2016, however actions steps were taken to correct

Transportation Vendors to Comply with A Key Contract Provision.		the situation prior to notification of an audit by the Auditor General.
Finding #3 - The District Failed to Retain Required Documentation to Support More than \$32 Million in Transportation Reimbursements.	Disagrees	While the District does not agree with the finding relating to records and believes it has provided the records required, the district will review its current process for document retention and will maintain and provide records prescribed by the Auditor General.
Finding #4 - The District Failed to Comply with Contract Requirements to Monitor its Transportation Vendors for Performance and Safety Standards.	Disagrees	The District would agree with the Auditor's General's assertion that inadequate and incomplete record-keeping was evident, however, the District does not agree that they failed to comply with these key vendor monitoring provisions, nor ignored or disregarded both senior administration and the Board.

Board Action: July 24, 2019 resolution is attached:



School District of Pittsburgh
Auditor General Transportation Audit – Findings and District Responses
Audit Period July 1, 2014 -June 30, 2018

The District received notification on August 6, 2018 that the Auditor General would begin a performance audit on August 22, 2018. The audit period covered July 1, 2014 through June 30, 2018. The audit focused on transportation costs, procurement processes, monitoring of procedures, and cost effectiveness of the transportation contracts. Under State Fiscal Code 72 P.S. section 1.5 of Act 44, the District must submit a response to the Department detailing adoption of all their recommendations, or the reason why the recommendations will not be adopted within 120 business days of the publication of the audit report.

Verbal #1- The Board of School Directors Failed to Approve Bus Driver List.

District Response:

Currently the District does have a procedure to evaluate the results and review clearances, however the District doesn't seek Board approval for bus drivers. The transportation Department has an existing "Driver/Monitor Credentials & Clearance Checklist, which is used to document the clearance process and the required paperwork. Any incomplete information received is not processed and returned to the carrier for compliance. The Transportation Safety Coordinator reviews all the required paperwork including clearances. If there is anything other than "NO RECORD FOUND" on the FBI report, the clearance package is sent to Weiss Burkardt Kramer LLC, (WBK) District Solicitor, for review and approval. The Transportation Safety Coordinator also compares the PA criminal report to the FBI report, if there are any discrepancies these clearances are also forwarded to WBK, for review and approval. We have included exiting documents used in the process. Monthly garage reports are used for compliance. These reports included all the driver information (credentials and clearance required by law and PPS contracts) and the status of the expiration of each item.

District Action Steps:

Starting for the 2019-2020 school year, the District will implement a standard operating procedure to require Board approval for all bus drivers. A list of bus drivers for the start of each year will be approved in August of each year. Any new drivers hired during the school year will be presented monthly to the Board for approval. The Transportation Department will include written procedures documenting the approval of certified drivers in the Transportation Handbook currently being drafted. We have included the documents used in the existing clearance certification process with our response.

Finding #1 - The District Did Not Competitively Bid Its Transportation Contracts and Used A Standard Rate Schedule That May Have Negatively Impacted Its Costs.

District Response:

Pittsburgh Public Schools does not believe that a request for bids or proposals would be beneficial for a district of our size. The District requires the use of several different carriers to obtain the number of vehicles necessary to meet the needs of our student population. Having a different rate structure for each carrier would make the accounting much more cumbersome and current District software for billing wouldn't support this structure. The District believes that any lower rates of one carrier would likely be offset by the higher rates of another; a uniform rate schedule would be more manageable, predictable and fair. The District believes the fuel peg in paragraph #49 of the contract allows for periodic adjustments for fuel price changes.

The district realizes that efficient use of vehicle capacity is both important and desirable. However, we are unpersuaded by the apparent assertion that tying carrier reimbursement to the number of students transported, rather than vehicle capacity and miles traveled, encourages either quality service or cost efficiencies. There are times when the district finds itself having to use whatever vehicle is available from a contracted carrier in order to complete the work, even if it is not the most efficient.

The expectation of customer service is the same for all the carriers. The accommodation of changing student needs throughout the year makes it difficult for the District to specify exactly which routes a particular carrier is going to service for the life of the contract. For example, increases and decreases in ridership on a particular route will often necessitate finding vehicles with different capacities which may not be available from the current contractor.

District Action Steps:

The District will adjust the fuel peg upward to reflect current fuel prices in the next carrier contract. We anticipate Board approval of the new carrier contract in May of 2019.

The District is reviewing the basis of our rates for potential revisions in the new contract for 2019-2020.

The District will implement a policy provision providing for the approval of routes by the Board of School Directors.

Finding #2 - The District Missed an Opportunity to Receive Fuel Tax Refunds Totaling an Estimated Nearly \$2 Million By Not Requiring Transportation Vendors to Comply with A Key Contract Provision.

Response:

Management does agree with the finding, regarding the District missing an opportunity to receive fuel tax refunds between 2011 to 2016, however actions steps were taken to correct the situation prior to notification of an audit by the Auditor General. On October 26, 2017, Ms. Capretta, Chief Operation Officer, provided Mr. Black, Director of Pupil Transportation with the standard reminder notification form from BF & R instructing him to begin collection of the 2017 fuel consumption data from transportation carriers.

District Actions Steps:

In late 2017, the District's Transportation Department began to draft an excel tracking sheet to help Transportation Carriers comply with paragraph #59 of their contract. Paragraph #59 requires verification of gallons of fuel consumed by each vehicle and additional evidence that the sales tax was paid in accordance with the Liquid Fuels Tax Act.

Carriers were provided a spreadsheet that must be maintained throughout the school year and turned in to the Transportation Department on a monthly basis. The spreadsheet includes three tabs. The first tab "Fuel Tax Summary" is a summary spreadsheet used to track the gallons purchased for each month. The "Invoice Sheet" tab summarizes data related to the purchase of fuel. The "Vehicle Listing" compiles information such as vehicle type, route number and fuel type of each vehicle. Carriers are now compiling and submitting appropriate data and the District has applied for the 2017- & 2018-year refunds.

The Transportation Department will include written procedures documenting the approval of certified drivers in the Transportation Handbook currently being drafted.

Finding #3 - The District Failed to Retain Required Documentation to Support More than \$32 Million in Transportation Reimbursements.

District Response:

While the District does not agree with the finding relating to records and believes it has provided the records required, the district will review its current process for document retention and will maintain and provide records prescribed by the Auditor General. The Transportation Department would run computer generated monthly billing data and verify the student count right on the invoices. The Transportation Department did not retain monthly student rosters that correspond with the monthly invoices each month but did retain Vehicle Daily Billing Reports. The Vehicle Daily Billing Reports were provided to the Auditor General. The documents that The Transportation Department use for submitting to PDE did verify and hand wrote any missing student counts on the printed paperwork and have that documentation available. After verifying the accuracy of the data, it is entered into the PDE website with the correct data.

District Action Steps:

The District will create a procedure for collecting and documenting odometer readings from the Carriers on a monthly basis.

Moving forward monthly student rosters will be generated and saved electronically. The new process will take place at the same time the monthly Carrier bills are processed.

The Transportation Department will include written procedures for documenting, verifying and retaining odometer readings, student rosters, and any changes that may occur during the school year, for each vehicle in the Transportation Handbook currently being drafted.

Finding #4 - The District Failed to Comply with Contract Requirements to Monitor its Transportation Vendors for Performance and Safety Standards.

District Response:

The District would agree with the Auditor's General's assertion that inadequate and incomplete record-keeping was evident, however, the District does not agree that they failed to comply with these key vendor monitoring provisions, nor ignored or disregarded both senior administration and the Board. The Transportation Director and Transportation Coordinator (Project Manager of Transportation) made regular visits to Carrier garages for compliance reviews, however they didn't document the process. Vehicle registration cards were collected and documented by the Transportation Coordinator prior to the start of any given school year.

District Action Steps:

The District has started to review the evaluation and compliance provisions of the contract with a view to developing procedures to collect the information needed for an evaluation of service that is both accurate and fair for all parties. A "Carrier Contract Compliance Checklist", covering all five categories has been drafted (provided with response). The District will add a "follow through checklist" and will document action steps taken for Carriers who receive low score and/or aren't compliant. Starting in July of 2019 the checklist will be used in compliance with the 2019-2020 Carrier contracts.

The District will also develop penalties or consequences for poor contractual performance, including written attestation of review and approval. The District's 2019-2020 contract will include language for daily penalties related to the following items: insurance, District owned GPS equipment, clearance violations, data collection for invoicing, gallons of fuel consumed, and liquid fuels taxes paid.

The Transportation Department will include written procedures for documenting, verifying and retaining information and data collection of contract requirement compliance as it relates to performance and safety standards in the Transportation Handbook currently being drafted.

**School District of Pittsburgh
Concurrence or Nonconcurrence
Transportation Audit 2015 - 2018**

Notification to Board including Finding description and Statement of Concurrence or Nonconcurrence:

Auditor's Finding	District's Agreement	Summary District Response
Verbal #1- The Board of School Directors Failed to Approve Bus Driver List.	Agrees	Currently the District does have a procedure to evaluate the results and review clearances, however the District doesn't seek Board approval for bus drivers. The transportation Department has an existing "Driver/Monitor Credentials & Clearance Checklist, which is used to document the clearance process and the required paperwork.
Finding #1 - The District Did Not Competitively Bid Its Transportation Contracts and Used A Standard Rate Schedule That May Have Negatively Impacted Its Costs.	Disagrees	Pittsburgh Public Schools does not believe that a request for bids or proposals would be beneficial for a district of our size. The District requires the use of several different carriers to obtain the number of vehicles necessary to meet the needs of our student population.
Finding #2 - The District Missed an Opportunity to Receive Fuel Tax Refunds Totaling an Estimated Nearly \$2 Million By Not Requiring Transportation Vendors to Comply with A Key Contract Provision.	Agrees	Management does agree with the finding, regarding the District missing an opportunity to receive fuel tax refunds between 2011 to 2016, however actions steps were taken to correct the situation prior to notification of an audit by the Auditor General.
Finding #3 - The District Failed to Retain Required Documentation to Support More than \$32 Million in Transportation Reimbursements.	Disagrees	While the District does not agree with the finding relating to records and believes it has provided the records required, the district will review its current process for document retention and will maintain and provide records prescribed by the Auditor General.
Finding #4 - The District Failed to Comply with Contract Requirements to Monitor its Transportation Vendors for Performance and Safety Standards.	Disagrees	The District would agree with the Auditor's General's assertion that inadequate and incomplete record-keeping was evident, however, the District does not agree that they failed to comply with these key vendor monitoring provisions, nor ignored or disregarded both senior administration and the Board.

**School District of Pittsburgh
 Audit Response Package
 Transportation Audit 2015 – 2018
 Corrective Action Plan**

Auditor's Finding	District's Agreement	District Corrective Action Plan	Monitoring Procedures	Implementation Dates
<p>Verbal #1- The Board of School Directors Failed to Approve Bus Driver List.</p>	<p>Agrees</p>	<p>Starting for the 2019-2020 school year, the District will implement a standard operating procedure to require Board approval for all bus drivers. A list of bus drivers for the start of each year will be approved in August of each year. Any new drivers hired during the school year will be presented monthly to the Board for approval.</p>	<p>The Transportation Department will include written procedures documenting the approval of certified drivers in the Transportation Handbook</p>	<p>Board approval in August 2019.</p>
<p>Finding #1 - The District Did Not Competitively Bid Its Transportation Contracts and Used A Standard Rate Schedule That May Have Negatively Impacted Its Costs.</p>	<p>Disagrees</p>	<p>The District will adjust the fuel peg upward to reflect current fuel prices in the next carrier contract. The District is reviewing the basis of our rates for potential revisions in the new contract for 2019-2020. The District will implement a policy provision providing for the approval of routes by the Board of School Directors.</p>	<p>Director of Transportation will update fuel peg chart and verify on a monthly basis that the Account Clerk- Transportation is using the correct \$ amount increase for the month.</p>	<p>Board approval of the new carrier contract on June 19, 2019</p>
<p>Finding #2 - The District Missed an Opportunity to Receive Fuel Tax Refunds Totalling an Estimated Nearly \$2 Million By Not</p>	<p>Agrees</p>	<p>The District previously made corrective actions to require Carriers to submit information under paragraph#59 and submitted liquid fuels tax.</p>	<p>Monthly Director of Transportation tracks submission from vendors Chief Operation Officer reviews and sign liquid fuels applications</p>	<p>Completed in March 2018</p>

<p>Requiring Transportation Vendors to Comply with A Key Contract Provision.</p>				
<p>Finding #3 - The District Failed to Retain Required Documentation to Support More than \$32 Million in Transportation Reimbursements.</p>	<p>Disagrees</p>	<p>The District will create a procedure for collecting and documenting odometer readings from the Carriers on a monthly basis. Monthly student rosters will be generated and saved electronically.</p>	<p>Director of Transportation will verify monthly that the student roster downloaded by Transportation Project Manager have been saved on the Transportation shared directory</p> <p>Director of Transportation will verify the monthly odometer readings have been collected and documented by the Transportation Project Manager</p>	<p>Odometer readings will start to be collected October 2019. Monthly Students roster are currently being saved electronically, that was effective April 2019.</p>
<p>Finding #4 - The District Failed to Comply with Contract Requirements to Monitor its Transportation Vendors for Performance and Safety Standards.</p>	<p>Disagrees</p>	<p>A "Carrier Contract Compliance Checklist", covering all five categories has been drafted. The District will add a "follow through checklist" and will document action steps taken for Carriers who receive low score and/or aren't compliant. The District will also develop penalties or consequences for poor contractual performance, including written attestation of review and approval. The Districts 2019-2020 contract will include language for daily penalties related to the following items: insurance, District owned GPS equipment, clearance</p>	<p>Director of Transportation will verify the insurance and clearance information have been collected and documented by the Transportation Safety Coordinator</p> <p>Director of Transportation will verify the that the Transportation Project Manager has documented the collection of liquid fuels and GPS equipment information on a monthly basis</p>	<p>Checklist were completed in June 2019 for 2018-2019 Carrier contracts.</p> <p>The Districts 2019-2020 contract included language for daily penalties related to the following items: insurance, District owned GPS equipment, clearance violations, data collection for invoicing, gallons of fuel consumed, and liquid fuels taxes paid.</p>

		violations, data collection for invoicing, gallons of fuel consumed, and liquid fuels taxes paid.		
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