

POTTSVILLE AREA SCHOOL DISTRICT
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Appendix A



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

Act 44 Auditee Reporting Form
(School District Audits)

The Department of the Auditor General provides this form for every school district to report its adoption of the Department's recommendations in its most recent audit pursuant to Act 44 of 2017 amendments to The Fiscal Code regarding Auditee reporting requirements and the Department's STATEMENT OF POLICY and FORM in 4 Pa. Code Part XIV published in the Pennsylvania Bulletin on February 10, 2018.

Within **120 business days** of the publication of the audit listed below, the school district must submit a response to the Department detailing the adoption of the Department's recommendations, or the reason why recommendations have not been adopted.

AUN: School: CAN:
Audit Period: Findings: Recommendations:

District Response: (Textbox below will expand or attachments can be added as necessary)

Finding No. 1: A Cumulative Operating Deficit of \$14.3 Million Over Five Years Reduced the District's General Fund Balance to Negative \$1.2 Million as of June 30, 2018.

Our review of the District's financial position over a five-year period revealed that the District's General Fund balance decreased at an alarming rate. The District's General Fund balance was \$12,563,088 on July 1, 2013. Due to operating deficits in the next five fiscal years, the District's General Fund balance decreased to negative \$1,223,536 as of June 30, 2018.

Management Response

The District agrees with the audit finding. The District has put plans in place to mitigate further losses through the reduction of staff, reduction of expenditures, increase of real estate and occupation taxes for the last 4 years, changes in health care for non-bargained groups.

The District has been significantly impacted due to growth in charter school enrollments which has been the main uncontrollable factor that has contributed to the deterioration of the District's fund balance. As can be seen in chart 4, the District has seen significant increases in this expense line.

The District has made a concerted effort to reduce the number of employees/retirees covered under the healthcare plan. This has been done through removing post-65 retirees from health coverage, reduction of full-time staff, etc. This effort helped mitigate the healthcare total spent by the District, but we also recognize there are further changes that need to occur in order to reduce healthcare expenses. Healthcare is a bargained benefit that must be negotiated with employee unions.

The District has made direct efforts to improve budgeting practices. We do a five year look back on revenues and expenditures to better predict future amounts. This has helped us bring in line the budget estimates for local revenues which had significant variances in prior budget periods.

The District has consistently passed balanced budgets for the last several fiscal years beginning with the 2017-18 budget through the 2019-20 budget. This has greatly improved our financial management in having to analyze each year what reductions may be required to have a balanced budget.

The District has also discussed with the local auditors the importance of getting the annual independent audit completed on time and approved by the Board so that the District can utilize those findings in a timely manner during the preparation of each year's budget.

The District will make every attempt to implement the recommendations set forth in this finding. We are currently in the process to administratively brainstorm possible reductions for the 2020-21 budget process. Our ultimate goal is to have a five-year budget, but we are still focusing on current operational efficiencies to improve financial outlook. With a new Board

taking office in December of 2019, the District will begin work on establishing a multi-year budget for the next several budget cycles, beginning in the 21-22 school year.

The main focus of Administration remains to be on fiscal monitoring and creation of savings in current operations through collective bargaining of contracts, reviewing open positions for replacement and the re-negotiation of current agreements that are in place. The Board of Directors and Administration continue to remain active with our legislators on the cost drivers that are negatively impacting our district such as Charter School costs, PSERS cost, etc. Without some legislative action or significant cost savings, Pottsville Area School District will be required to cut significant programming from our students which does not support our educational goals and values.

Recommendation #2 was implemented in January 2018 by the current Business Manager by providing the Board of Directors more detailed accurate monthly reporting of revenues and expenditures.

Recommendation #3 will be implemented upon the completion of the multi-year budget.

Recommendation #4 will be implemented for the June 30, 2020 audit period as the approval of the June 30, 2019 engagement was completed prior to the issuance of this recommendation.

Finding No. 2: A Board-Approved Separation Agreement Cost the District Over \$200,000.

In October 2015, the District approved a five-year employment contract with the former Business Manager for the term July 1, 2016 through June 30, 2021. This contract did not include any provisions for salary or benefit payments to the Business Manager in the event the contract was terminated early. In May 2017, approximately one year into the five-year contract, the District entered into a separation agreement with the former Business Manager. The total cost to the District for the separation was \$201,613.

Management Response

The District agrees with the audit finding in relation to the separation agreement. Although the District did not have the clause limiting termination provisions to no more than one year's salary and benefits, in the prior agreement, we feel it is a prudent practice to begin in future agreements.

The District will implement this language in future contracts for individually contracted employees (i.e. Business Manager) as their current contract is set to expire or a replacement is hired.

Finding No. 3: The District Inaccurately Reported the Number of Nonpublic and Charter School Students Transported Resulting in a Net Underpayment of \$21,175.

The District was underpaid a net total of \$21,175 in supplemental transportation reimbursements from the Pennsylvania Department of Education (PDE) for the 2014-15, 2015-16, and 2016-17 school years. This net underpayment was due to the District inaccurately reporting the number of nonpublic and charter school students transported by the District.

Management Response

The District agrees with the finding and has put procedures in place during the audit to accurately capture the number of Nonpublic and Charter School students being transported. The District was capturing a point in time count rather than a cumulative annual count.

In addition to the corrections made through the audit finding, the District made a correction with the 2017/2018 transportation report which corrected the subsidy received during the 2018/2019 school year based on a cumulative student transported count. This correction addresses recommendation #3. These procedures will remain in place for future fiscal years.

The District Business Manager & Superintendent will receive copies of the reporting prior to submission to PDE from the Transportation department for review. Any discrepancies will be reviewed with the Attendance office to ensure appropriate and accurate reporting.

The District is hopeful that Recommendation #4 will be implemented by the Pennsylvania Department of Education to correct for the underpayment of subsidy.

There are no additional steps the district needs to make regarding this finding.

Finding No. 4: The District Failed to Retain Required Supporting Documentation for Multiple Components of Its Transportation Reimbursement.

The District did not comply with the record retention provision of the Public School Code when it failed to retain adequate documentation to support the number of students transported who were not eligible for reimbursement during the 2013-14 through 2016-17 school years. Additionally, the District failed to retain documentation to support the number of nonpublic and charter school students reported to PDE as transported during the 2013-14 school year.

Management Response

The District agrees with the audit finding and has worked directly with the state auditors to put in place measures that will ensure that all supporting documentation is in place and stored for future audit years beginning with the 2019/2020 school year.

In particular, our transportation department worked with our student management software to ensure that all student counts are accurate and also worked with our busing software to ensure that student counts matched. All student transportation request forms are being filed

accordingly for record keeping. Safeguards are being implemented in the Transportation Department to ensure the proper supporting documentation is in place for the 2019/2020 school year.

The District will monitor the progress of the transportation department through an annual review of documentation.


Finding No. 5: The Pottsville Area School District Failed to Conduct All Required Monthly Fire Drills and Did Not Maintain Adequate Supporting Documentation.

Our review of the District's fire drill reports for the 2017-18 school year disclosed that the District failed to conduct fire drills each month, as required by Section 1517(a) of the Public School Code. We also found that the District did not maintain adequate documentation to support the fire drills reported to PDE at two of its three school buildings. Furthermore, we found discrepancies between the fire drill data reported to PDE and the supporting documentation. Consequently, the Superintendent inappropriately attested to the accuracy of the fire drill data reported.

Management Response

The District agrees with the audit findings and will implement the four recommendations from the audit. The District began utilizing the PA Emergency Drill reporting from the Center for Safe Schools to report all drills conducted in the buildings beginning with the 19-20 school year. Copies of those reports are kept in each individual school building as well as in the District office. The District will also implement a report review process during the 19-20 school year, involving the District School Safety Coordinator and the Superintendent to ensure the District is reporting factually correct data to PDE.

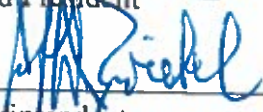
Note: Pursuant to Section 1.5 of Act 44, if the Auditee fails to respond to the Department's recommendations within **120 business days**, the Department will notify the Governor and the Chairpersons and Minority Chairpersons of the Appropriations Committees of the Senate and the House of Representatives, which may consider an Auditee's failure to respond to the Department's audit when determining the Auditee's future appropriations.



Board President

10/16/19

Date



Superintendent

10/16/19

Date