

# PERFORMANCE AUDIT

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## Brownsville Area School District Fayette County, Pennsylvania

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September 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Keith Hartbauer, Superintendent  
Brownsville Area School District  
5 Falcon Drive  
Brownsville, Pennsylvania 15417

Mr. Ronald Dellarose, Board President  
Brownsville Area School District  
5 Falcon Drive  
Brownsville, Pennsylvania 15417

Dear Dr. Hartbauer and Mr. Dellarose:

Our performance audit of the Brownsville Area School District (District) evaluated the application of best practices in the area of finance. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objective, and methodology section of the report. The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our five findings. A summary of the results is presented in the Executive Summary section of the audit report.

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

Dr. Keith Hartbauer  
Mr. Ronald Dellarose  
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Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and relevant requirements. We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

September 9, 2019

cc: **BROWNSVILLE AREA SCHOOL DISTRICT** Board of School Directors

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## Executive Summary

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Brownsville Area School District (District). Our audit sought to answer certain questions regarding the District's application of best practices, the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures. We also determined the status of the District's corrective action taken in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix). Compliance specific to state subsidies and reimbursements was determined for the 2013-14 through 2016-17 school years.

### **Audit Conclusion and Results**

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our five findings.

#### **Finding No. 1: A Cumulative Operating Deficit Reduced the District's General Fund Balance to \$1.4 Million as of June 30, 2018.**

Our review of the District's financial position over a five-year period revealed that the District's unassigned General Fund balance decreased by more than 50 percent. The District's unassigned General Fund

balance was \$2,749,291 on July 1, 2013. The unassigned General Fund balance decreased to \$156,254, as of June 30, 2015, before increasing to \$1,393,523, as of June 30, 2018. (See page 11).

#### **Finding No. 2: The District Failed to Solicit Bids for Its Long-Term Transportation Contract and to Properly Monitor Its Transportation Contracts.**

Our review of the District's transportation services found that the District utilized the same transportation vendor for more than 40 years by entering into long-term contracts, with the most recent being for a period of 13 years, and not soliciting bids in between contract renewals/extensions. We also found that the contract was assigned to a new vendor without the Board of School Directors' (Board) approval. The former Superintendent unilaterally provided the consent to transfer the contract without a Board vote in a public meeting. Moreover, we determined that the District failed to have proper oversight of its \$2 million in annual transportation costs by placing complete reliance on their current contractor for the accuracy of transportation invoices and the rates charged. (See page 20).

#### **Finding No. 3: The District Failed in Its Legal Duty to Ensure its Contracted Bus Drivers Were Qualified and Cleared to Transport Students, Putting Them at Risk of Harm.**

The District failed to meet the statutory obligations related to the employment of individuals having direct contact with students for the 2018-19 school year.

Specifically, we found the District did not ensure that all bus drivers had the required qualifications and criminal history clearances *before* they transported students at the beginning of the school year. We also found that the District had a weak board policy specific to contracted drivers and an outdated and flawed transportation contract.

Finally, the District's Board did not approve the list of bus drivers until September 20, 2018, nearly one month after school had started and drivers had been transporting students. The District's failure to provide legally mandated oversight of transportation services resulted in the District placing its students at potential risk of harm by not ensuring that contracted bus drivers were properly qualified and cleared to transport students. (See page 26).

**Finding No. 4: The District Inaccurately Reported Transportation Costs and the Number of Nonpublic School Students Transported Resulting in a Net Overpayment of \$82,340.**

The District was overpaid \$82,340 in net transportation reimbursements from the Pennsylvania Department of Education (PDE). This net overpayment was due to the District inaccurately reporting its transportation costs for the 2015-16 school year, as well as inaccurately reporting the number of nonpublic school students transported during the 2013-14 through 2016-17 school years. Inaccurately reporting transportation costs resulted in the District being overpaid, while inaccurately reporting the number of nonpublic school students transported resulted in the District being underpaid. (See page 35).

**Finding No. 5: The District Failed to Accurately Report Nonresident Student Data to PDE Resulting in an Overpayment of \$29,790.**

We found that the District failed to accurately report nonresident student data to PDE for the 2013-14, 2014-15, and 2016-17 school years. Inaccurately reporting this data resulted in noncompliance with the Public School Code and the State Board of Education's regulations. The District's inaccurate reporting caused the District to be overpaid \$29,790 in subsidy reimbursements from PDE. These reporting errors occurred because District officials failed to annually obtain the necessary documentation to support categorizing and reporting some nonresident students. (See page 41).

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

With regard to the status of our prior audit recommendations, we found that the District did not implement our prior audit recommendations pertaining to both errors in reporting of transportation payments to PDE resulted in subsidy underpayment of \$196,267 (see page 46) and the failure to have all school bus drivers' qualifications on file findings. (See page 47).

## Background Information

School Characteristics 2016-17 School Year <sup>A</sup>	
County	Fayette
Total Square Miles	57
Number of School Buildings <sup>B</sup>	2
Total Teachers	120
Total Full or Part-Time Support Staff	82
Total Administrators	6
Total Enrollment for Most Recent School Year	1,580
Intermediate Unit Number	1
District Vo-Tech School	Fayette County Career and Technical Institute

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

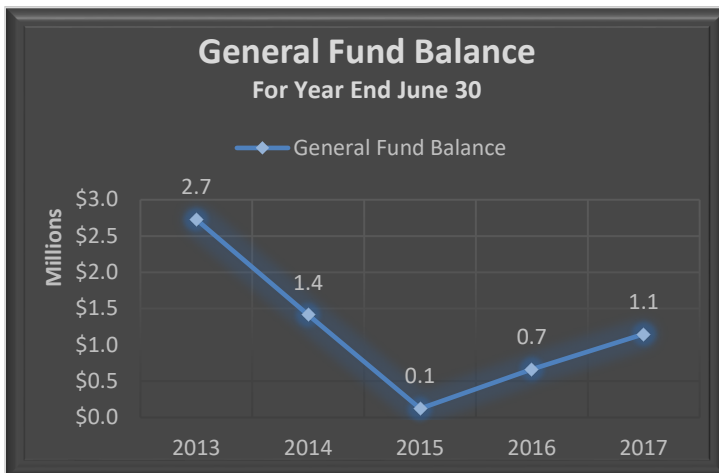
B - The District closed two elementary schools and constructed one new elementary school building. The District's middle school and high school share one building.

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

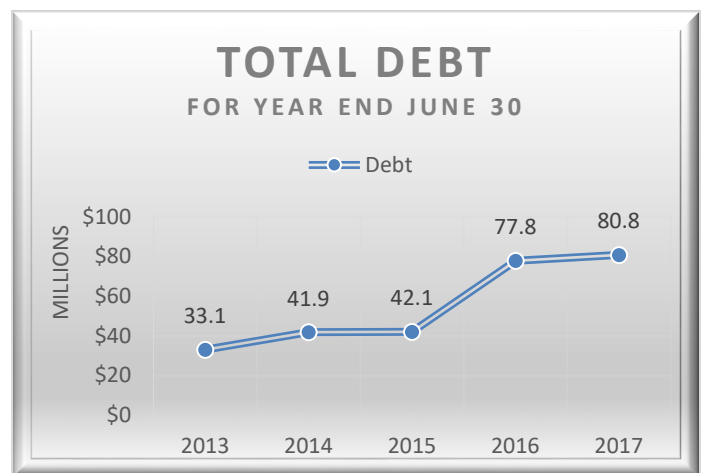
Fostering All Learners Collaboratively in Outstanding Nurturing Schools

## Financial Information

The following pages contain financial information about the Brownsville Area 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**.

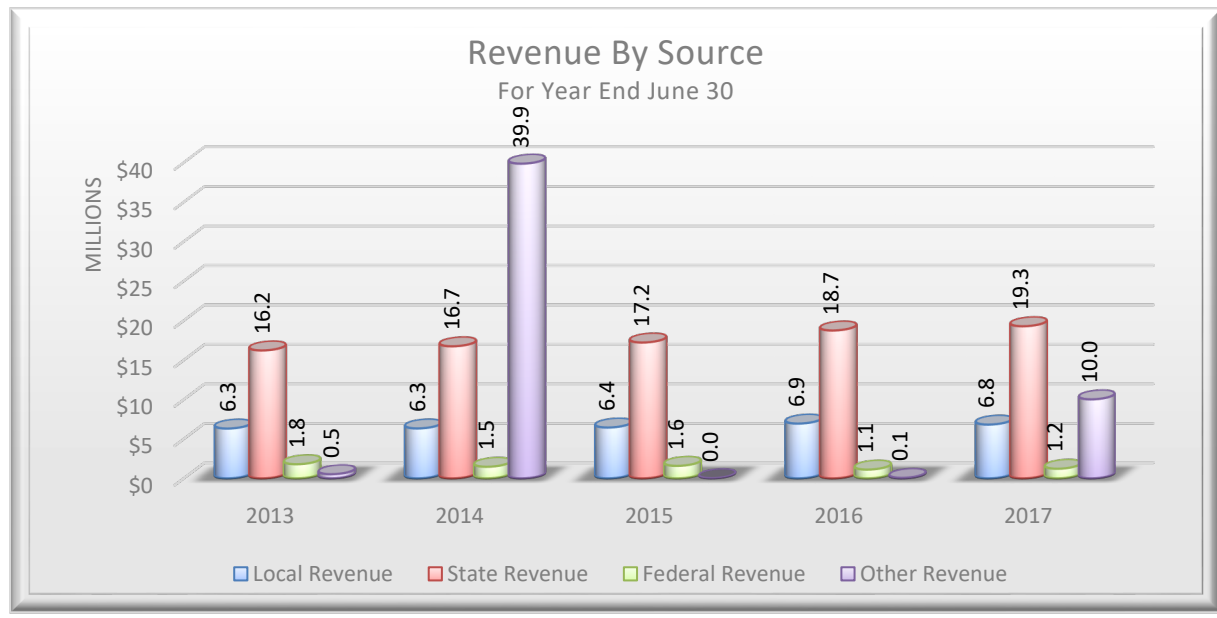
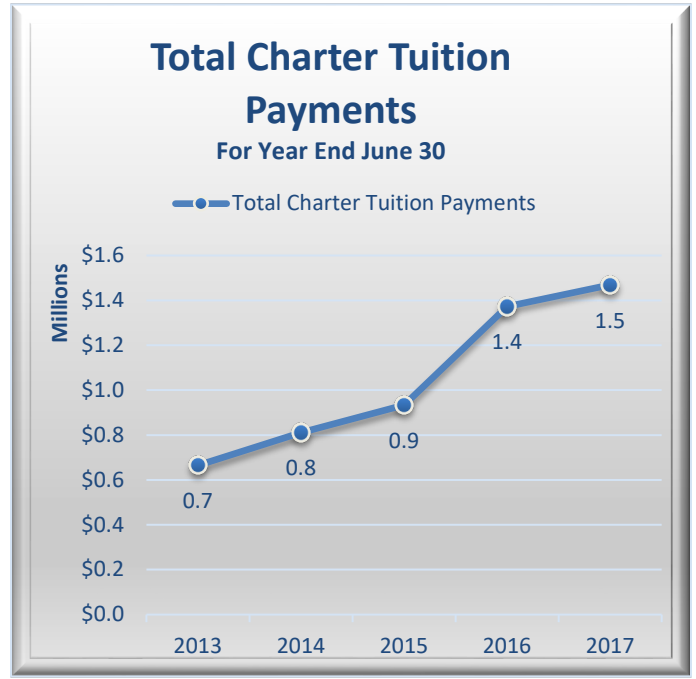
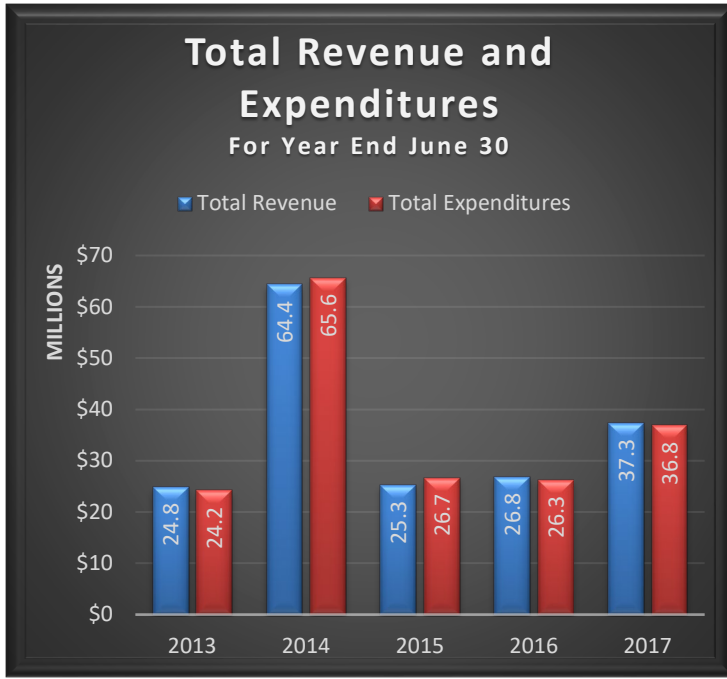


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

## Financial Information Continued





## **Academic Information**

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2014-15, 2015-16, and 2016-17 school years.<sup>1</sup> 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 graph.<sup>2</sup> 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.<sup>3</sup>

### **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 exam scores), 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 the 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 schools were put on hold due to changes with PSSA testing.<sup>4</sup> PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

### **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 the 2020-21 school year.<sup>5</sup> 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.

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 the PSSA exams to align with PA 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.

<sup>5</sup> Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. *See* 24 P.S. § 1-121(b)(1).

### **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.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.<sup>6</sup> 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 a 4-Year Cohort Graduation Rate?**

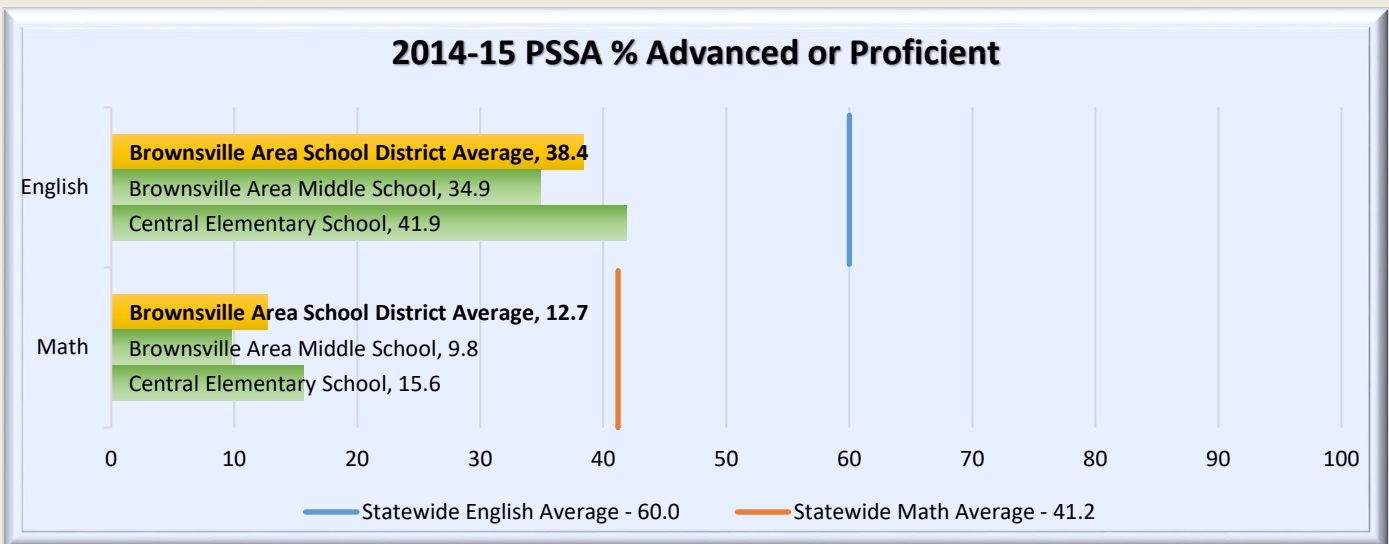
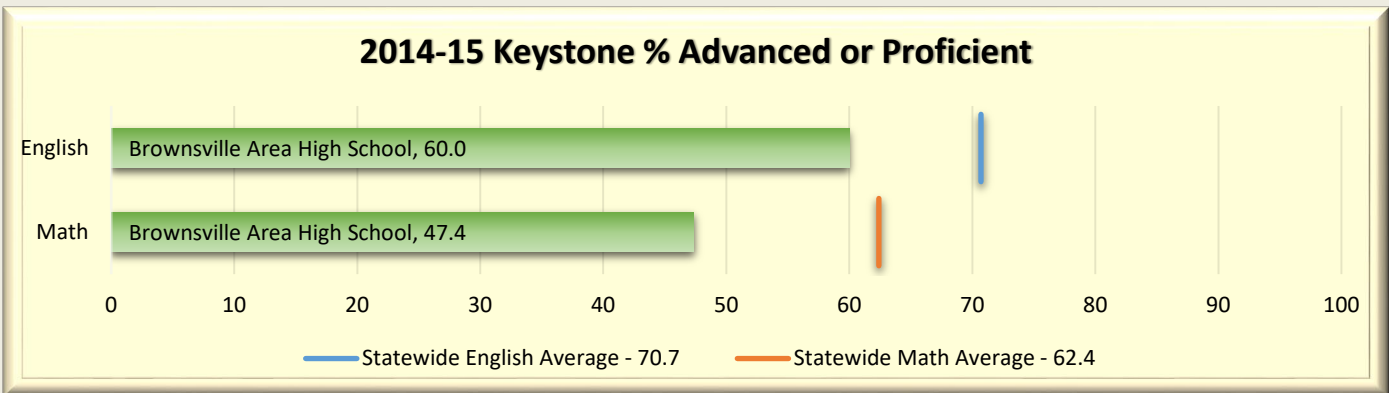
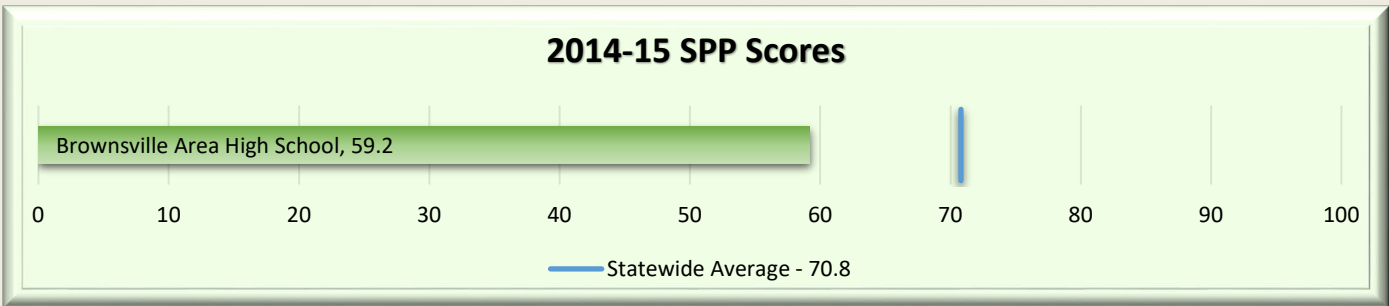
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student 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.<sup>7</sup>

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<sup>6</sup> 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.

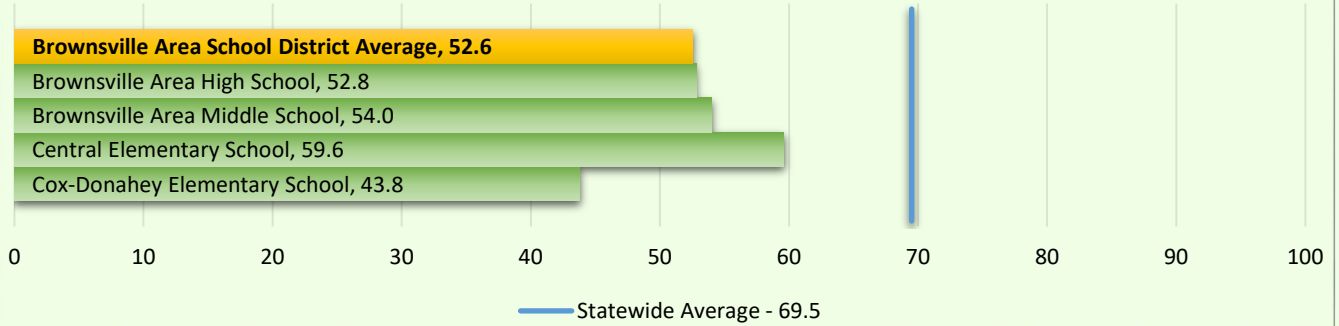
<sup>7</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

**2014-15 Academic Data**  
**School Scores Compared to Statewide Averages**

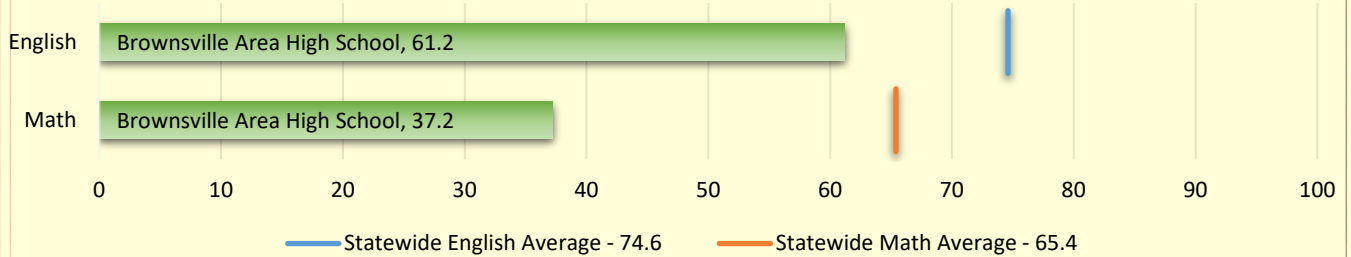


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

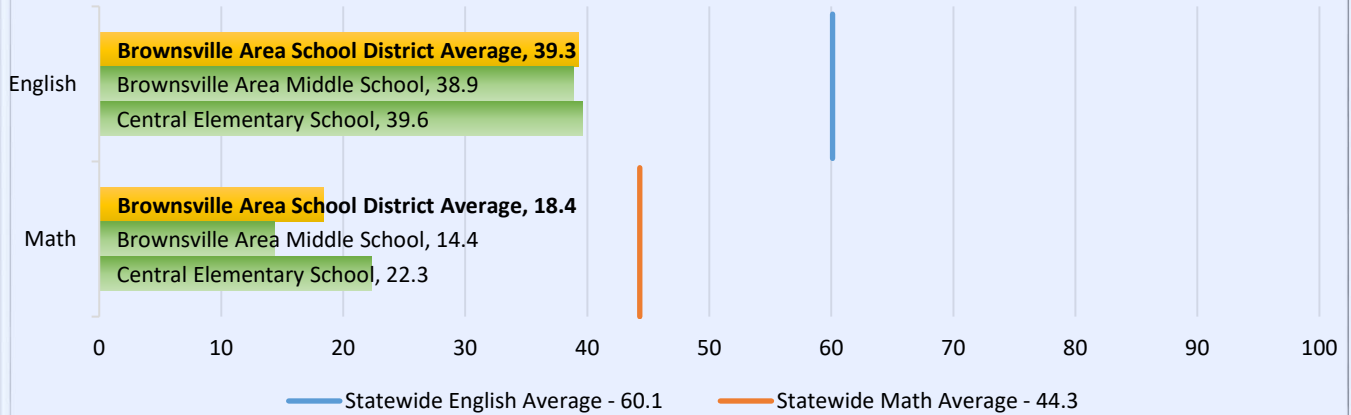
**2015-16 SPP Scores**



**2015-16 Keystone % Advanced or Proficient**

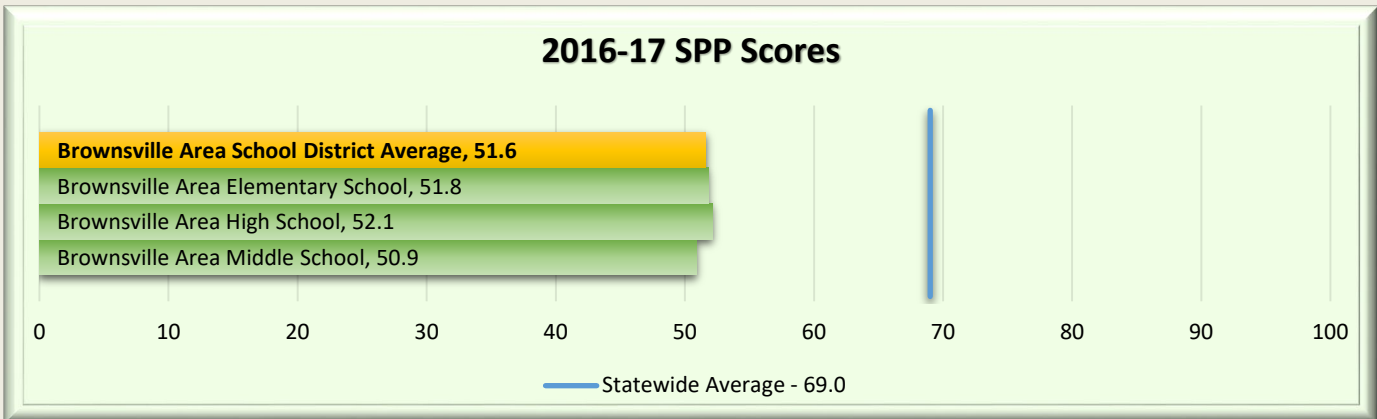


**2015-16 PSSA % Advanced or Proficient**

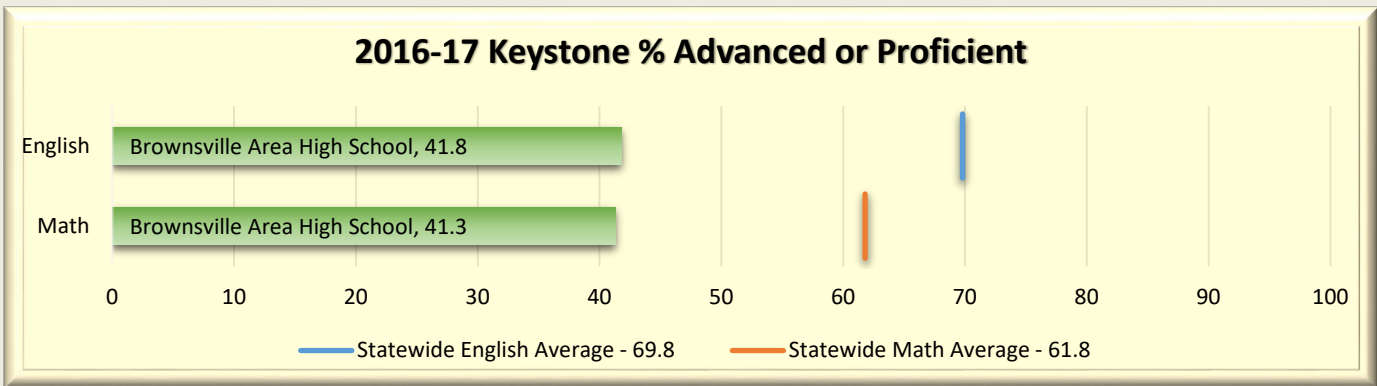


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**

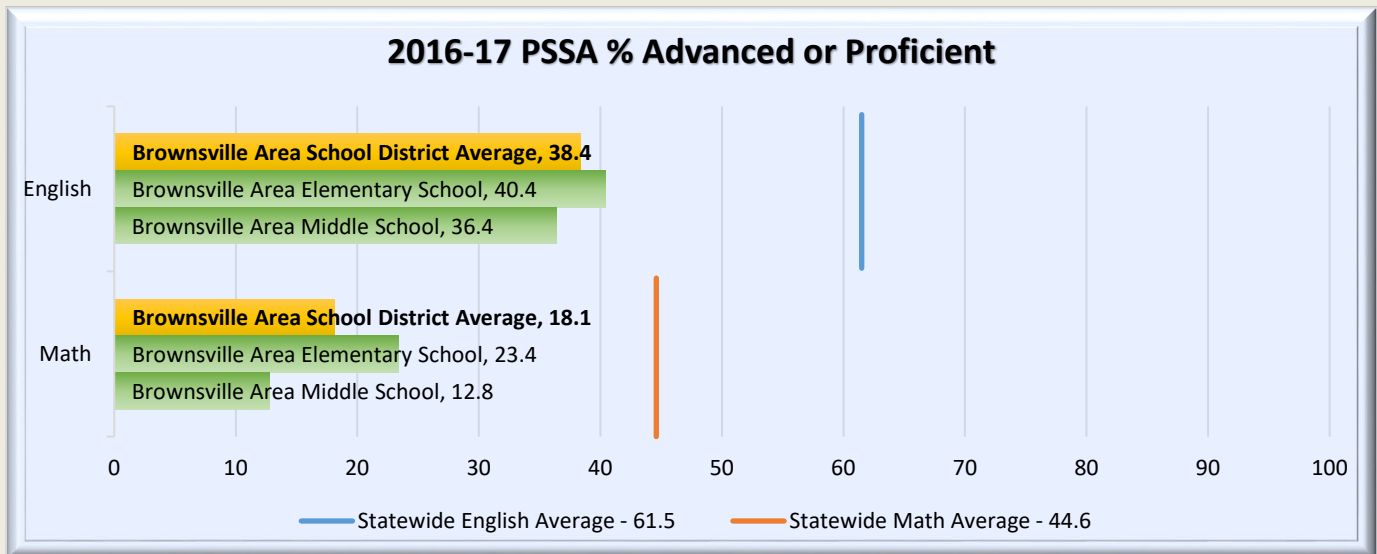
**2016-17 SPP Scores**



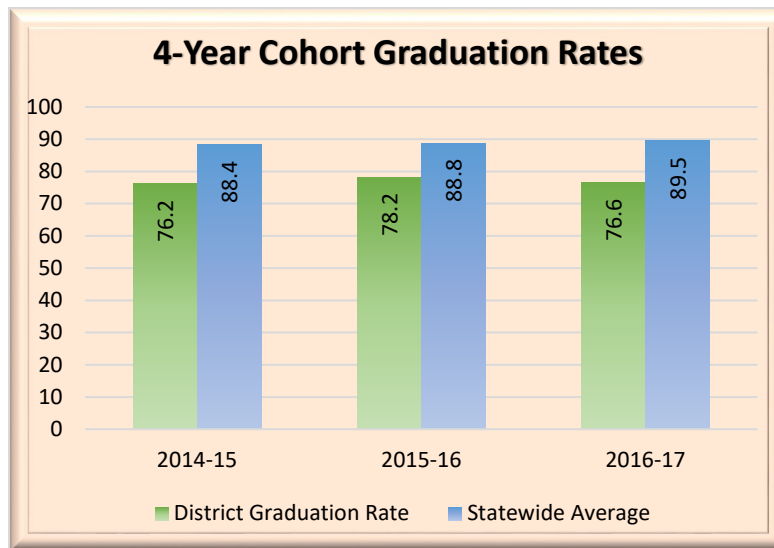
**2016-17 Keystone % Advanced or Proficient**



**2016-17 PSSA % Advanced or Proficient**



**Graduation Data**  
**District Graduation Rates Compared to Statewide Averages**



## Findings

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### Finding No. 1

### A Cumulative Operating Deficit Reduced the District's General Fund Balance to \$1.4 Million as of June 30, 2018

*Criteria relevant to the finding:*

**The Government Finance Officers Association (GFOA)** has developed Budgeting Best Practices for School Districts. Among the best practices are:

**General Fund Reserve.** School districts should establish a formal process on the level of the unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk.

The GFOA recommends, at a minimum, that school districts maintain an unassigned fund balance in their general fund of no less than two months of regular General Fund operating revenues or regular general fund operating expenditures and operating transfer out.

Budgeting and maintaining adequate fund balances allow school boards and superintendents to maintain their educational programs and services with level tax adjustments. They also provide financial stability in emergency situations so that it is certain that employees and vendors are paid on time. Fund balances reduce interest expense or interim borrowing. In addition, stable fund balance history appeals more to underwriters and other creditors when construction projects are undertaken and the school district must enter the bond market.

Our review of the Brownsville Area School District's (District) financial position over a five-year period revealed that the District's unassigned General Fund balance decreased by more than 50 percent. The District's unassigned General Fund balance was \$2,749,291 on July 1, 2013.<sup>8</sup> The unassigned General Fund balance decreased to \$156,254, as of June 30, 2015, before increasing to \$1,393,523, as of June 30, 2018. The increase in the District's unassigned General Fund balance during the 2016-17 and 2017-18 fiscal years is attributable to not replacing staff who retired in 2014-15 and the sale of capital assets.

In order to assess the District's financial stability, we reviewed several financial benchmarks to evaluate changes in its financial position over a period of five years from July 1, 2013 through June 30, 2018. The following benchmarks raised concerns related to the District's finances and will be discussed in the remainder of the finding:

- General Fund Balance
- Operating Position
- Revenues
- Expenditures
- Charter School Costs
- Debt and Debt Service Payments

#### General Fund Balance

As illustrated in Chart 1 below, the District's unassigned General Fund balance has deteriorated during the audit period. The District's \$1,393,523 unassigned General Fund

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<sup>8</sup> The District's General Fund balance consisted of two distinct classifications during the period reviewed: 1) nonspendable and 2) unassigned. The District's nonspendable fund balance was \$128,566 on June 30, 2014, \$6,497 on June 30, 2016, \$36,497 on June 30, 2017, and \$0 on June 30, 2018. We discuss the District's unassigned General Fund balance in this finding.

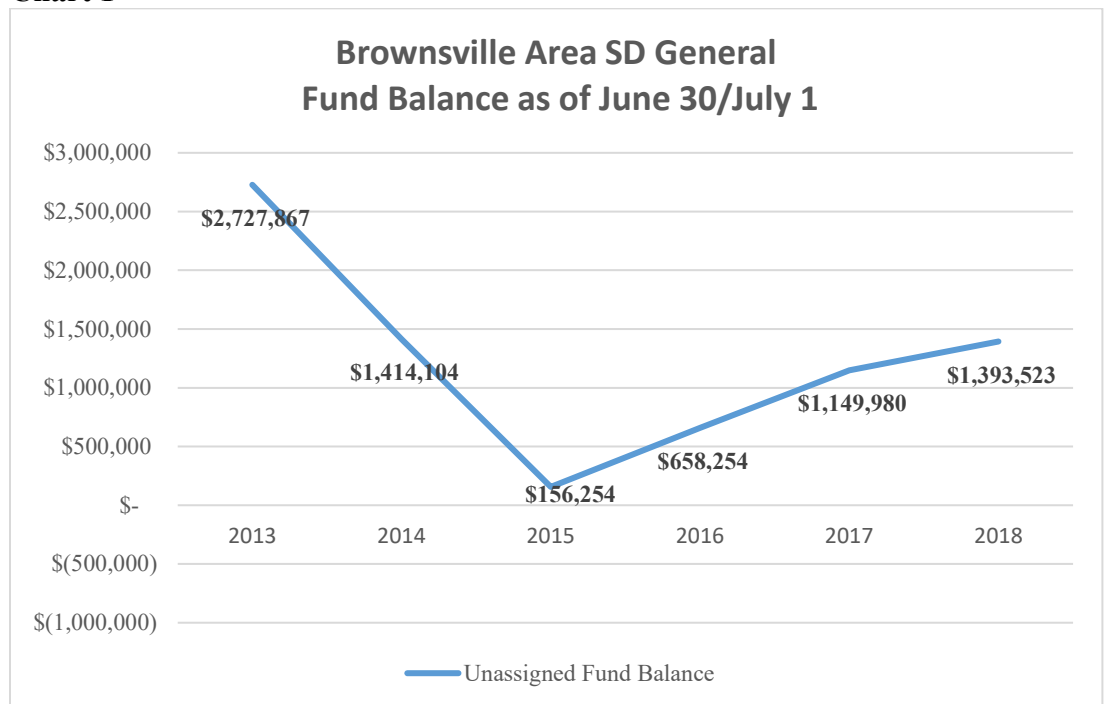
*Criteria relevant to the finding (continued):*

The Pennsylvania School Boards Association in its Overview of Fiscal Health for the 2013-14 school year provided the following fiscal benchmarks:

- Financial industry guidelines recommend that fund balances be between five percent and ten percent of annual expenditures.

balance, as of June 30, 2018, will meet less than a month of District expenditures. This is significantly less than the fund balance recommended by the Government Finance Officers Association (GFOA) (i.e., two months of regular general fund operating revenues or regular general operating expenditures and operating transfers out). The District’s unassigned General Fund balance increase in the 2015-16 fiscal year is attributable to not replacing teachers who retired during the 2014-15 fiscal year. The 2016-17 and 2017-18 increases were attributable to revenue resulting from the sale of a capital assets for \$353,435.

**Chart 1**



*Criteria relevant to the finding (continued):*

- Operating position is the difference between actual revenues and actual expenditures. Financial industry guidelines recommend that the district operating position always be positive (greater than zero).

The District’s General Fund decline is concerning given that the District has experienced increasing charter school costs and debt service payments during the audit period and those costs will continue to increase in future fiscal years.

A district’s unassigned General Fund balance is equivalent to a “rainy day fund” for individuals and should contain funds to deal with emergencies, unanticipated expenses, or a disruption of revenue. As the chart above illustrates, the District’s unassigned General Fund balance declined by more than 50 percent during the period we reviewed.



## Operating Position

A school district's operating position is an important indicator of a district's financial health and is determined by comparing total operating revenues to total operating expenditures. The result of total expenditures and other financing uses exceeding total revenues and other financing sources is an operating deficit.<sup>9</sup> The following table shows the District's operating position for the five-year audit period and the cumulative operating deficit that occurred during the period reviewed.

**Table 1<sup>10</sup>**

Brownsville Area School District General Fund Operating Position					
Fiscal Year Ended June 30	Total Revenue	Expenditures		Other Financing Sources/ <b>(Uses)</b>	Operating Surplus/ <b>(Deficit)</b>
		Instructional, Support Services, Nonsupport services	Debt Service		
<b>2014</b>	\$24,554,900	\$23,214,978	\$2,060,576	<b>(\$485,967)</b>	<b>(\$1,206,621)</b>
<b>2015</b>	\$25,290,093	\$24,208,459	\$2,468,050	\$0	<b>(\$1,386,416)</b>
<b>2016</b>	\$26,800,726	\$23,675,901	\$2,616,328	\$0	<b>\$508,497</b>
<b>2017</b>	\$27,311,383	\$24,896,734	\$3,292,553	\$1,399,630	<b>\$521,726</b>
<b>2018</b>	\$28,054,273	\$25,994,575	\$2,638,969	\$786,317	<b>\$207,046</b>
<b>Total:</b>	<b>\$132,011,375</b>	<b>\$121,990,647</b>	<b>\$13,076,476</b>	<b>\$1,699,980</b>	<b>(\$1,355,768)</b>

As shown in the table above, the District had an operating surplus in the 2015-16 through the 2017-18 fiscal years. The District refunded a bond in the 2016-17 and 2017-18 school years and used additional proceeds from the sale of an unused school building to offset operational expenditures and generated an operating surplus in those years. Other financing sources like the sale of school buildings and additional proceeds from bond refunding are variable in nature and reflect the need for the District to generate sufficient revenue/or reduce expenditures to increase its General Fund balance.

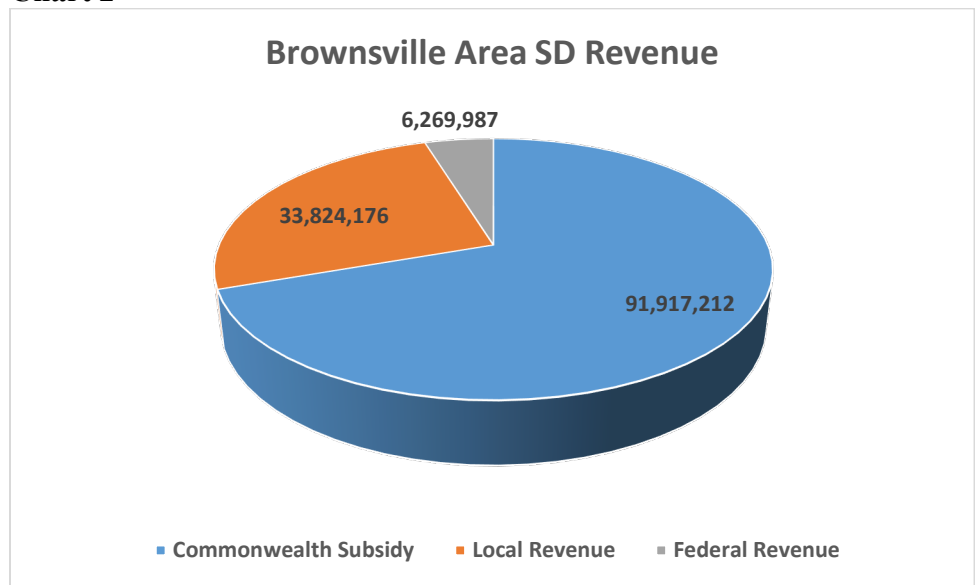
<sup>9</sup> Other financing sources and uses are more variable in nature and are commonly referred to as one time revenue or expenditures. Common examples are borrowings and transfers from other District funds.

<sup>10</sup> Information obtained from the District's Independent Auditor's Report, Statement of Revenue, Expenditures, and Changes in Fund Balance, fiscal years ending 2014 through 2018. We did not perform procedures to verify the accuracy of the amounts presented.

## Revenues

The District relies predominantly on funding received from the Commonwealth, which comprised approximately 70 percent of the District's total revenue during the audit period. Local revenues are primarily generated from property taxes from Fayette and Washington counties and comprised 25 percent of the District's total revenue during the same time period. The remaining 5 percent of revenue was from Federal funding. The chart below illustrates the District's revenue sources during the period reviewed.

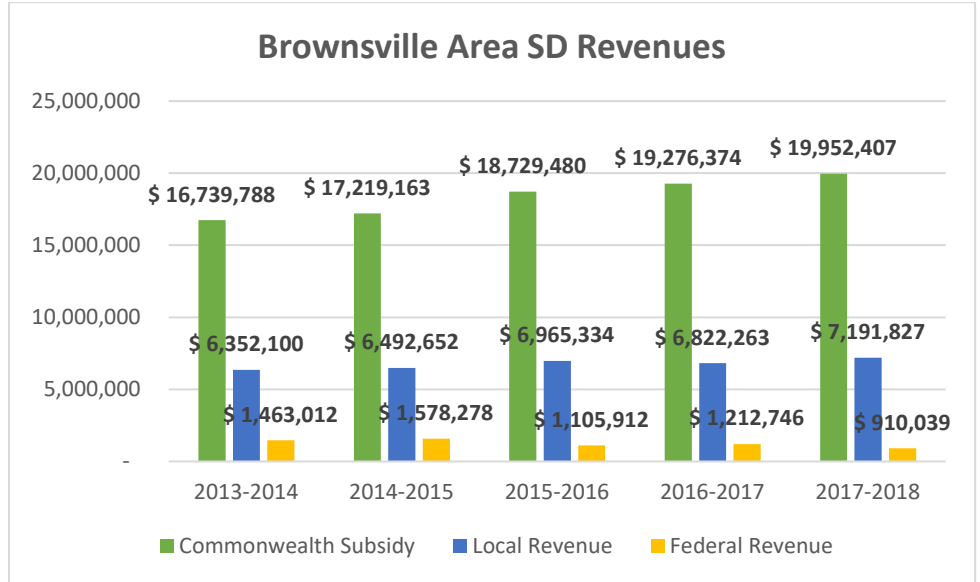
**Chart 2**



Overall, the District's revenue increased by approximately 14 percent or \$3.5 million over the five-year period reviewed. The District has minimal control over the amount of subsidy received from the Commonwealth and remains heavily reliant on receiving this subsidy to balance its annual budget. The funding from the Commonwealth increased by approximately \$3.2 million over the five-year period. In analyzing this revenue stream a bit further, the Commonwealth's share of retirement contributions received by the District increased by \$1.5 million to offset the rising employer contribution rate required by the Public School Employees' Retirement System (PSERS). Additionally, the sum of the District's Basic and Special Education subsidies increased by approximately \$800,000. Federal funding received by the District has continued to decline and is not a large source of the District's funds. The

chart below illustrates the amount of Commonwealth, local, and federal revenue during the audit period.

**Chart 3**



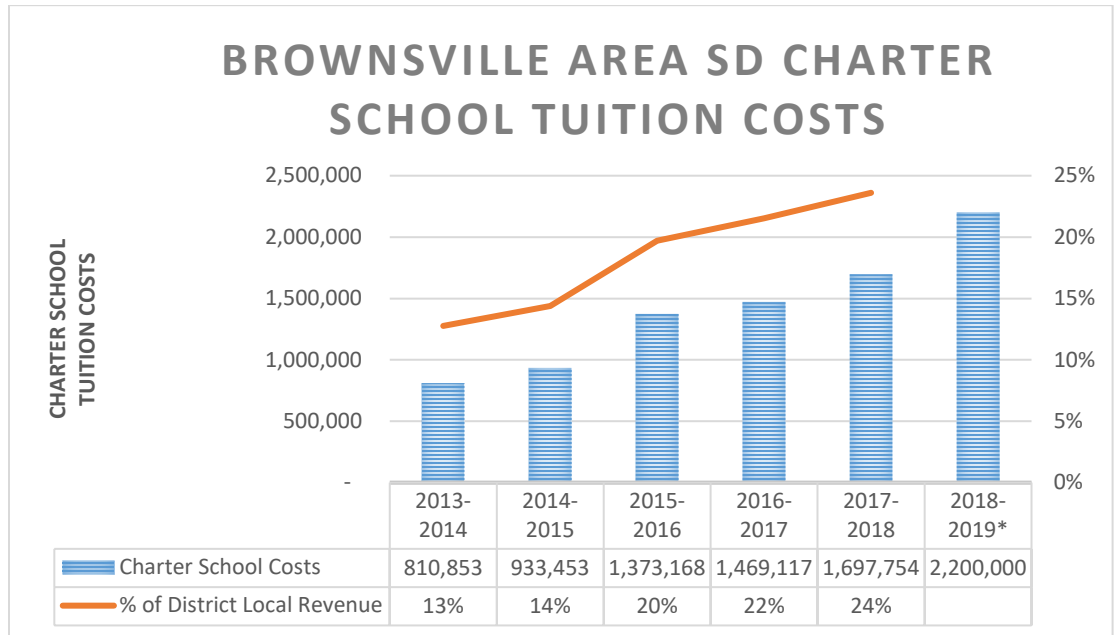
**Expenditures**

District expenditures increased by approximately 13 percent over the audit period. Instructional expenditures comprise the majority of the District’s expenditures during the period reviewed, from \$15,041,521 in the 2013-14 fiscal year to \$17,205,744 in the 2017-18 fiscal year. This 13 percent increase in District expenditures occurred even as instructional expenditures decreased by almost \$800,000 from the 2014-15 fiscal year to the 2015-16 fiscal year. This decrease was due to the retirement of seven teachers and the District not filling those positions due to declining enrollment. However, similar to other school districts in the Commonwealth, the District is facing mandated expenditures like the District’s contributions to PSERS. Retirement contributions have increased by more than 100 percent over the five-year period from \$1,782,979 to \$3,607,939. The District has also experienced increasing charter school costs as discussed below.

*Charter School Expenditures*

The District’s charter school tuition costs were a significant expenditure during each year we reviewed and increased each year. The chart below illustrates the District’s charter school tuition costs and the percentage of charter school tuition costs to total District local revenue.<sup>11</sup>

**Chart 4**



\*2018-19 is an estimated cost obtained from the District’s Business Manager

Charter school tuition costs adversely affected the District’s financial position and reduced the funds available to support District academic programs. The District’s revenue is not increasing proportionally to offset this significant increase in these mandated expenditures. Additionally, other expenditures are not being reduced proportionally to allow the District to achieve an operating surplus.

<sup>11</sup> Districts must use local revenue to meet charter school costs since there is no additional Commonwealth or Federal revenue that is received for charter school students.

Increasing charter school costs were the result of increased charter school enrollment of District students. The following table shows the growth in charter school enrollment and the corresponding loss of enrollment in District’s schools.

**Table 2**

Brownsville Area School District Public and Charter School Enrollment						
	2013-14	2014-15	2015-16	2016-17	2017-18	% Change
Public	1,657	1,660	1,599	1,558	1,578	-5%
Charter	80	81	103	110	104	30%
<i>Total</i>	<b>1,737</b>	<b>1,741</b>	<b>1,702</b>	<b>1,668</b>	<b>1,682</b>	<b>-4%</b>

Essentially, charter school tuition payments are “contra” revenues that effectively reduce state aid and local revenue to the district by redirecting it to charter schools.<sup>12</sup> Since Commonwealth aid is the primary source of funding for the District, the effect is more pronounced for this district as local revenues are not able to increase at the same pace as rising charter school tuition costs.

*Debt and Debt Service Payments*

The District’s debt service payments (principal and interest) increased 28 percent during the audit period and were \$2,638,969 during the 2017-18 fiscal year. Annual debt service payments ranged between 8 and 12 percent of total revenues during the audit period. The District’s debt-to-asset ratio was 105 percent on June 30, 2018.<sup>13</sup>

The District consistently used bond issuances to fund projects and/or create working capital during the audit period. Currently the District has a lower degree of financial flexibility if unforeseen expenditures are incurred or other expenditures continue to increase. The District has refunded general obligation bonds three out of the last five years reviewed. During the 2013-14 fiscal year, the District used a portion of the bond proceeds to finance the construction of a new elementary school. With limited local revenue sources, the increase in charter school costs, the

<sup>12</sup> “Contra revenue is a deduction from the gross revenue reported by a business, which results in net revenue. Contra revenue transactions are recorded in one or more contra revenue accounts, which usually have a debit balance (as opposed to the credit balance in the typical revenue account).”

<https://www.accountingtools.com/articles/what-is-contra-revenue.html> accessed July 19, 2019.

<sup>13</sup> Debt-to-assets ratio is calculated by dividing total liabilities by total assets. For the purposes of this report, total notes and loans payable were used for total liabilities. The Debt-to-asset ratio measures the company’s assets that are financed by debt, rather than fund balance.

growth in debt service payments, and continued refinancing of bonds, the District is in a precarious position going forward. The table below illustrates future District debt services obligations and highlights the need for the District to generate additional revenue or reduce other expenditures to meet these future obligations.

**Table 3**

<b>Brownsville Area School District Future Debt Service Payments<sup>14</sup></b>			
<b>Fiscal Year Ended June 30</b>	<b>Principal Requirements</b>	<b>Interest Requirements</b>	<b>Total Debt Service Requirements</b>
<b>2019</b>	\$ 813,320	\$ 1,506,213	<b>\$ 2,319,533</b>
<b>2020</b>	\$ 1,123,850	\$ 1,487,480	<b>\$ 2,611,330</b>
<b>2021</b>	\$ 1,444,380	\$ 1,468,764	<b>\$ 2,913,144</b>
<b>2022</b>	\$ 1,554,910	\$ 1,450,716	<b>\$ 3,005,626</b>
<b>2023</b>	\$ 1,740,440	\$ 1,426,669	<b>\$ 3,167,109</b>
<b>2024-28</b>	\$ 9,479,920	\$ 6,504,259	<b>\$15,984,179</b>
<b>2029-33</b>	\$10,309,304	\$ 4,619,108	<b>\$14,928,412</b>
<b>2034-38</b>	\$10,280,000	\$ 1,576,195	<b>\$11,856,195</b>
<b>2039-40</b>	\$ 4,100,000	\$ 138,338	<b>\$ 4,238,338</b>
<b>Totals:</b>	\$40,846,124	\$20,177,742	<b>\$61,023,866</b>

### **Conclusion**

The District's General Fund balance decreased significantly during the audit period. The District was heavily reliant on Commonwealth subsidies during the audit period, and the District will need to generate additional revenue and/or reduce expenditures to increase its unassigned General Fund balance.

The District has dealt with mandated increases in PSERS contributions, increases in charter school tuition costs, and significant debt service obligations. The District refunded debt and sold capital assets during the period reviewed to keep its General Fund balance positive, but these options might not be available for the District in the future, so the District must institute critical operational changes to build its unassigned General Fund balance, which would be needed if unexpected expenditures or unexpected decreases in revenues occur in the future.

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<sup>14</sup> Information obtained from the Notes to the Financial Statements for the District Independent Auditor's Report, fiscal years ending 2018. We did not perform procedures to verify the accuracy of the amounts presented.

## **Recommendations**

The *Brownsville Area School District* should:

1. Prepare a multi-year budget that includes a strategy to increase revenue and/or reduce expenditures or the growth in expenditures in order to achieve operating surpluses and increase its General Fund balance to meet the criteria suggested by the GFOA.
2. Display the multi-year budget prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meetings.

## **Management Response**

District management provided the following response:

1. Prepare a multi-year budget that includes a strategy to increase revenue and/or reduce expenditures or the growth in expenditures in order to achieve operating surpluses and increase its General Fund balance to meet the criteria suggested by the GFOA.

*The District will prepare a multi-year budget that includes strategic plans such as pursuing alternative cyber charter tuition, attrition and reduction of at all staff levels, bond refinancing, and gas leases.*

2. Display the multi-year budget prominently on its website for the public so that taxpayers and District officials can publicly discuss the details of the budget at open meetings.

*The District will prominently display the multi-year budget on its website.*

## **Auditor Conclusion**

We are pleased that the District has agreed with our finding and stated their intent to implement our recommendations. We continue to stress that the District institute critical operational changes to build its unassigned General Fund balance. We will determine the effectiveness of the District's corrective actions during our next audit of the District.

## Finding No. 2

## The District Failed to Solicit Bids for Its Long-Term Transportation Contract and to Properly Monitor Its Transportation Contracts

### *Criteria relevant to the finding:*

#### **Public School Code (PSC)**

Section 427 (relating to Duties of the [Board] President) of the PSC states, in part: “[t]he [P]resident shall be executive officer of the board of school directors and as such he, together with the secretary, when directed by the board, shall execute any and all deeds, contracts, warrants to tax collectors, reports, and other papers pertaining to the business of the board, requiring the signature of the president.” See 24 P.S. § 4-427.

Section 508 (relating to Majority vote required; recording) of the PSC provides, in part:

“[t]he **affirmative vote of a majority of all the members of the board** of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects:--  
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**Entering into contracts of any kind**, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100).” (Emphases added.) See 24 P.S. § 5-508.

Our review of the District’s transportation services found that the District utilized the same transportation vendor for more than 40 years by entering into long-term contracts, with the most recent being for a period of 13 years, and not soliciting bids in between contract renewals/extensions. We also found that the contract was assigned to a new vendor without Board approval. The former Superintendent unilaterally provided the consent to transfer the contract without a Board vote in a public meeting. Moreover, we determined that the District failed to have proper oversight of its \$2 million in annual transportation costs by placing complete reliance on their current contractor for the accuracy of transportation invoices and the rates charged.

The District’s assigning of the existing contract to the new vendor on July 26, 2016 was not done through a legally binding majority board vote in a public meeting, as is required by the Public School Code (PSC) and the Sunshine Act, respectively.<sup>15</sup> Additionally, while the action in question constituted an assignment of the existing contract terms, it is unclear whether the board even reviewed the terms of the assignment or considered additional alternatives.<sup>16</sup>

#### **Long-Term Contract and Renewals without a Competitive Bidding Process**

The District entered into long-term contracts and renewals with the same vendor (Vendor A) for 40 years without seeking bids from other vendors to determine if costs could possibly be reduced through a competitive bidding process. The most recent contract with Vendor A was for a term of

<sup>15</sup> 24 P.S. § 5-508 and 65 Pa.C.S. § 704.

<sup>16</sup> The State Board of Education’s regulations provide a district’s board of directors “is responsible for **all aspects** of pupil transportation programs, including the following: . . . (7) **The negotiation and execution of contracts or agreements** with contractors, drivers of district’s vehicles and common carriers and submission of pertinent documents to the Department for approval of operation.” (Emphases added.) See 22 Pa. Code § 23.4(7).



*Criteria relevant to the finding (continued):*

### **Sunshine Act**

Section 704 (relating to Open meetings) of the Sunshine Act states: “[o]fficial action and deliberations by a quorum of the members of an agency shall take place at a meeting open to the public unless closed under section 707 (relating to exceptions to open meetings), 708 (relating to executive sessions) or 712 (relating to General Assembly meetings covered).” *See* 65 Pa.C.S. § 704.

### **State Board of Education Regulations**

Chapter 23 (relating to Pupil Transportation) of the State Board of Education Regulations provides that a school district’s board of directors is responsible for the negotiation and execution of contracts or agreements with contractors, drivers of District vehicles, and common carriers. *See* 22 Pa. Code Chapter 23.

Section 23.4 (relating to Responsibilities of the district board of school directors) of the regulations states as follows, in part: “The board of directors of a school district is responsible for **all aspects** of pupil transportation programs, including the following: . . . (1) The selection of means of transportation in conformance with the law and regulations. (2) The selection and approval of appropriate vehicles for use in district service and eligible operators who qualify under the law and regulations . . . (7) **The negotiation and execution of contracts or agreements** with contractors, drivers of district’s vehicles and common carriers and submission of pertinent documents to the Department for approval of operation.” *See* 22 Pa. Code § 23.4(1), (3), and (7). (Emphases added.)

10 years beginning July 1, 2008 and expiring June 30, 2018. At its September 17, 2015 meeting, the Board of School Directors (Board) approved a three-year contract extension resulting in a 13-year contract with an effective date through June 30, 2021. However, the Board did not approve the revised fee schedule that went into effect at the time of the extension.

The District’s practice of executing long-term contracts with renewal and extensions prevented it from seeking competitive pricing and possibly reducing costs and/or receiving enhanced services. Long-term contracts often result in a disincentive from making a good faith effort to propose the best prices and services that the vendor would offer the District if it was part of a bid or renewal process.

### **Transfer of Contract without Board Approval**

In 2016, Vendor A’s company was bought out by another transportation company. The District’s Superintendent unilaterally authorized the assignment of the transportation contract to the new vendor (Vendor B) by way of a letter dated July 26, 2016. This was done without the required public vote by the Board. The assignment letter indicated that the existing contract would be assumed by Vendor B and that Vendor B was obligated to abide by the terms and conditions in Vendor A’s contract dated July 1, 2008. Since the Board, in September 2015, voted to extend the pre-existing contract with Vendor A until 2021, the transfer of its terms, including its duration, also apply to Vendor B.

We determined that the Board did not approve the assignment of the pre-existing contract to a new vendor. As such, the District and its Board failed to comply with the PSC, the Sunshine Act, and state regulations requiring the Board to be responsible for the negotiation and execution of contracts or agreements with contractors and for the approval of items related to student transportation in a public meeting (see Criteria box). Additionally, by failing to execute a new contract with Vendor B, the District missed an opportunity to revisit its transportation contract to ensure that the District is receiving the most favorable costs and services and that contract provisions reflect changes to laws and regulations.

*Criteria relevant to the finding  
(continued):*

### **Liquid Fuels Tax Regulations**

Chapter 315 (relating to Exempt Sales) of the Department of Revenues' regulations.

Section 315.2. (relating to Definitions) of the regulations provides: "[t]he following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise: *Political subdivision*—A county, city, borough, incorporated town, township, school district, vocational school district and county institution district." See 61 Pa. Code § 315.2.

### **Contracting Best Practices**

In order to foster the best combination of pricing and quality of goods and services, best business practices, particularly with regard to the use of public funds, commonly recommend the following:

- Public solicitation of bids or proposals in procuring goods and services.
- The avoidance of automatic contract renewal and right of first refusal clauses.

## **Failure to Implement Contract Monitoring Procedures**

Vendor B began transportation services for the District in the 2016-17 school year. For the 2016-17 and 2017-18 school years, the District paid Vendor B approximately \$2 million annually. When asked how the District ensured that the amounts charged to the District agreed with the contract fee schedules, a District official replied that there were no monitoring procedures in place. Rather, the District relied on the vendor to ensure that the billings were accurate and in accordance with the contract.

The contract stated that the District would pay the vendor a daily rate for each bus and van transporting students each day throughout the school year. The contract also stated that the District would pay the vendor in equal monthly installments. We determined that the District relied on Vendor B to determine the total annual payment for the bus service. According to a District official, Vendor B calculated the annual bus service rate and divided the total by nine months to calculate the monthly payments. Each year, Vendor B informed the District of its annual payment but did not provide the District with the details of how the total amount was calculated. The District did not implement any procedures to verify the accuracy of the vendor's calculation and to determine if the daily rates used in the calculation agreed with the fee schedule.

The costs for the van service was determined each month. Vendor B submitted an itemized invoice to the District each month. We reviewed the monthly invoices for the van services from January through March 2017 and found that Vendor B charged varying rates, many of which did not align with the July 2015 fee schedule. When asked how the District ensured that they are paying in accordance with agreed upon rates, District officials acknowledged that they do not have any monitoring procedures and they just pay whatever the vendor charges. During the 2016-17 school year, the District paid Vendor B \$2,056,722 for transportation services without knowing if that amount was the appropriate amount for the services rendered.

## **No monitoring of fuel purchases**

While the fuel costs are built into the daily rates charged by the transportation vendor, the District has an unwritten fuel purchase agreement with Vendor B. The vendor maintains

a garage depot with fuel tanks on the property. After filling the tanks at the vendor's depot, the oil company invoices the District for the fuel (without taxes added because the school district qualifies for tax exemption). Vendor B then reimburses the District for the amount it paid to the oil company. While such an arrangement is legally permissible, the District has an obligation to ensure that the fuel it purchased for Vendor B was used exclusively for District-related transportation services. We found that the District did not implement any monitoring procedures to verify that the fuel it purchased as a tax-exempt entity was used only for District purposes. The District did not require Vendor B to submit any type of fuel usage reports that could be reviewed to determine if the amount of fuel purchased was only for the buses and vans used to transport District students.

When we asked why the District did not implement review procedures, District officials stated they did not believe that was necessary since the vendor reimbursed the District for the full amount that the District paid. We noted that Vendor B does business with other entities besides the District and since the fuel is delivered to the vendor's depot, there is an increased risk that the vendor could use the fuel to conduct its other business. Without any review and monitoring procedures, the District could not provide assurances that the vendor only used the fuel for district-related purposes. The vendor is not entitled to the tax exemptions for fuel used to conduct business with non-tax-exempt entities. In order to ensure that the District does not unintentionally violate the state tax exemption laws, it is imperative that it immediately develop and implement control procedures over its tax-exempt fuel purchases.

## **Conclusion**

The District spent approximately \$2 million annually on transportation services during the audit period without adequate contract monitoring procedures or bidding for services when given the opportunity. Specifically, we found that the District contracted with the same contractor for over 40 years without bidding out its transportation services in between long-term contract renewals. We also discovered that the District assigned its outdated contract with its long-standing vendor to a new vendor without Board approval in noncompliance with the PSC and the Sunshine Act.

Overall, the District is completely reliant on Vendor B to provide accurate and trustworthy transportation billings and data. The lack of monitoring procedures to verify monthly and annual amounts invoiced makes the District vulnerable to paying more than necessary for transportation services.

### **Recommendations**

The *Brownsville Area School District* should:

1. Immediately work with the Board and its solicitor to determine the validity of the contract assignment to Vendor B. If the Board deems the assignment was valid then it should vote in a public meeting to approve the assignment to Vendor B, retroactively to July 2016.
2. If the Board deems the assignment to Vendor B to be invalid, the Board should consider entering into a new contract agreement with Vendor B and ensure it approves the contract by an affirmative vote of a majority of all of its members in an open meeting. The agreement should include clear and concise payment terms, service requirements, and accountability provisions.
3. Consider soliciting bids for its transportation services through the Request for Proposals process for any future transportation contracts.
4. Implement monitoring and reconciliation procedures to verify billing rates are consistent with contract terms, documented fee schedules, and services rendered.
5. Develop and implement detailed procedures to ensure that the fuel purchased as a tax-exempt entity is only used for school district-related purposes.

### **Management Response**

District management provided the following response:

1. Immediately work with the Board and its solicitor to determine the validity of the contract assignment to Vendor B. If the Board deems the assignment was valid then it should vote in a public meeting to approve the assignment to Vendor B, retroactively to July 2016.

*The District has determined that the Board will pursue recommendation #2.*

2. If the Board deems the assignment to Vendor B to be invalid, the Board should consider entering into a new contract agreement with Vendor B and ensure it approves the contract by an affirmative vote of a majority of all of its members in an open meeting. The agreement should include clear and concise payment terms, service requirements, and accountability provisions.

*The District will negotiate and enter into a new agreement with Vendor B (Mlaker) and have the Board approve. The agreement will clearly state payment terms, service requirements, and accountability provisions.*

3. Consider soliciting bids for its transportation services through the Request for Proposals process for any future transportation contracts.

*The District will solicit RFPs for any future contracts.*

4. Implement monitoring and reconciliation procedures to verify billing rates are consistent with contract terms, documented fee schedules, and services rendered.

*The District will prepare written procedures to monitor and reconcile billing rates to ensure they are consistent with contract terms, fee schedules, and services rendered.*

5. Develop and implement detailed procedures to ensure that the fuel purchased as a tax-exempt entity is only used for school district-related purposes.

*The District will develop and implement procedures to ensure that the fuel purchases are used only for school district-related purposes.*

### **Auditor Conclusion**

We are pleased that the District has agreed with our finding. We will evaluate the effectiveness of any corrective actions implemented by the District during our next audit.

### **Finding No. 3**

### **The District Failed in Its Legal Duty to Ensure its Contracted Bus Drivers Were Qualified and Cleared to Transport Students, Putting Them at Risk of Harm**

#### *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(2).

Section 111 of the PSC requires state and federal criminal background checks and Section 6344(a.1)(1) of the Child Protective Services Law (CPSL) requires a child abuse clearance. *See* 24 P.S. § 1-111 and 23 Pa.C.S. § 6344(a.1)(1), as amended.

With regard to criminal background checks, Sections 111(b) and (c.1) of the PSC require prospective school employees who have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police, as well as a report of Federal criminal history record information obtained from the Federal Bureau of Investigation. *See* 24 P.S. § 1-111(b) and (c.1).

The District failed to meet the statutory obligations related to the employment of individuals having direct contact with students for the 2018-19 school year. Specifically, we found the District did not ensure that all bus drivers had the required qualifications and criminal history clearances *before* they transported students at the beginning of the school year. We also found that the District had a weak board policy specific to contracted drivers and an outdated and flawed transportation contract. Finally, the District's Board did not approve the list of bus drivers until September 20, 2018, nearly one month after school had started and drivers had been transporting students. The District's failure to provide legally mandated oversight of transportation services resulted in the District placing its students at potential risk of harm by not ensuring that contracted bus drivers were properly qualified and cleared to transport students.

#### **Background**

The District contracts out for its transportation services, and the contractor provides copies of employment documentation to the District for its contracted bus drivers. As such, District officials maintained files for the bus drivers approved by the Board. However, based on our review of the District's documentation, we determined that the District did not have complete records or adequate review procedures to be able to determine whether drivers had the proper qualifications and background clearances to transport students. When we informed the District of the deficiencies found, the District admitted that it was not reviewing the contracted driver's documentation as required by law and its associated regulations. Instead, the District relied on the contractor to determine if a driver met the qualifications and passed the background clearance required to transport students.

*Criteria relevant to the finding  
(continued):*

Section 6344(b)(3) of the CPSL requires, in part, that, “The applicant shall submit a full set of fingerprints to the Pennsylvania State Police for the purpose of a record check...” (Act 153 of 2014). Further, 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 (or every five years). *See* 23 Pa.C.S. §§ 6344(b)(3) and 6344.4.

Section 111(e) of the PSC lists convictions for certain criminal offenses that require an absolute ban on employment. Further, Section 111(f.1) of the PSC requires 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) and (f.1).

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

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

## Requirements

Regardless of whether they hire their own drivers or use a contractor’s drivers, school districts are required to verify and have on file a copy of the following documents for each employed or contracted driver *before* he or she is authorized to transport students:

1. Driver qualification credentials, including:
  - a. Valid commercial driver’s license with an “S” endorsement, permitting the operation of a school bus.
  - b. Annual physical examination.<sup>17</sup>
2. Criminal history reports/clearances:
  - a. State Criminal History Record.
  - b. Federal Criminal History Record, based on a full set of fingerprints.
  - c. PA Child Abuse History Clearance.
  - d. Arrest/Conviction Report and Certification Form (PDE-6004 form).<sup>18</sup>

## Expired Driver Qualification Documents and Missing or Incomplete Background Clearances

In November 2018, we obtained and reviewed the District’s driver records and found that **those records were incomplete for 23 of 47 drivers, or 49 percent of all drivers**. Some driver files had more than one deficiency in its documentation. Specifically, we found the following issues:

- 3 bus drivers had expired driver’s licenses with the required “S” endorsement
- 2 van drivers had expired driver’s licenses
- 6 bus drivers had physical examination records more than one year old
- 8 drivers were missing the Federal Criminal History Record
- 3 drivers were missing the State Criminal History Record
- 1 driver had an incomplete Federal Criminal History Record

<sup>17</sup> Pennsylvania’s Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

<sup>18</sup> *See* Section 111 of the PSC, 24 P.S. § 1-111.

*Criteria relevant to the finding  
(continued):*

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).

Effective July 1, 2012, Section 111(j)(2) of the PSC was amended to require all *prospective* employees to submit an *Arrest/Conviction Report and Certification Form* (PDE-6004 form), including the newly added Section 111(f.1) criminal offenses, to their administrator prior to employment indicating whether or not they have ever been arrested or convicted of any of the reportable offenses provided for in Section 111(e) or (f.1). Further, retroactively effective on December 31, 2015, Section 111(j)(2) was amended by Act 4 of 2016 to require that PDE-6004 form include a certification of whether or not an employee was named as a perpetrator of a founded report of child abuse within the past five (5) years as defined by the CPSL. See 24 P.S. § 1-111(f.1) and (j)(2) (Act 82 of 2012 and Act 4 of 2016) and PDE-6004 form instructions.

- 1 driver was missing the Arrest/Conviction Report and Certification Form (PDE-6004 form)
- 10 drivers had incomplete PDE-6004 forms whereby pertinent information like Section 111 crimes and/or Child Abuse certification statements and/or signature dates were omitted

Additionally, pertaining to the *Arrest/Conviction Report and Certification Form* required to be obtained for all newly hired bus drivers, we determined that an outdated version of the form was still being used after March 1, 2016, when the form was revised by the Pennsylvania Department of Education (PDE) to reflect changes to the law. Specifically, the revised form now includes a certification statement related to reports of child abuse as defined by the Child Protective Services Law (CPSL), which is in addition to the existing certifications required under Section 111 of the PSC. By not using the correct version of PDE-6004 form, the District missed an opportunity for prospective employees to certify that they have not been named as a perpetrator of a founded report of child abuse within the past five years as defined by the CPSL.

During the completion of our audit, the District and the contractor worked with the drivers and the applicable state agencies to obtain the incomplete/missing documentation noted above.<sup>19</sup> As of January 28, 2019, all required documents were obtained, with the exception of one physical examination form. Additionally, the contractor had all of the drivers re-submit a PDE-6004 form using the current version of the form, which includes the child abuse certification. Our review of the additionally provided clearances and documents disclosed that none of the drivers were determined ineligible to transport students. On February 4, 2019, the District informed us that eight additional drivers were approved as substitutes in November 2018, and our review of these records did not reveal any concerns.

### **Lack of Review Procedures**

Although the District maintained driver files, the fact that it did not have established review procedures to verify the

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<sup>19</sup> This includes PDE, the Pennsylvania Department of Human Services, and the Pennsylvania Department of Transportation.



*Criteria relevant to the finding  
(continued):*

Section 8.2 of Title 22, Chapter 8 (relating to Criminal Background Checks) of the State Board of Education regulations requires, in part, “(a) School entities shall require a criminal history background check **prior to hiring an applicant or accepting the services of a contractor**, if the applicant, contractor or contractor’s employes would have direct contact with children.” (Emphasis added.) *See* 22 Pa. Code § 8.2(a).

Section 23.4 of Title 22, Chapter 23 (relating to Pupil Transportation) of the State Board of Education regulations provide 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* 22 Pa. Code § 23.4(2).

*See also* PDE’s “Clearances/Background Check” web site for current school and contractor guidance (<https://www.education.pa.gov/Educators/Clearances/Pages/default.aspx>).

eligibility of drivers is problematic. For example, we found that five drivers had criminal convictions on either the state or federal background clearances that were not vetted by the District to ensure these individuals were eligible for employment. Instead, the District relied upon the contractor to make the determination of eligibility. While we concluded that none of these individuals had convictions impacting employment, it is the District’s duty and responsibility to review all required employment documentation and approve all drivers. By having incomplete driver files and not examining the documentation maintained in those files, the District was in noncompliance with the PSC, CPSL, the State Board of Education’s regulations, and the state Vehicle Code.

### **Untimely Board Approval**

For the 2018-19 school year, the District’s Board approved the list of contracted bus drivers during its September 20, 2018 board meeting. Since the District’s school operations started on August 27, 2018, the drivers were approved well *after* they had direct contact with children. Further, this authorization essentially provided meaningless oversight since the Board did not hold the administration accountable for actually monitoring the District’s contractor and ensuring that all drivers were qualified and appropriately cleared *before* transporting District students.

### **Weak Transportation Policy, Outdated and Flawed Transportation Contract, and Lack of Oversight of Contract Terms**

All of the District’s bus drivers are contracted employees. District Policy No. 818, *Contracted Services Personnel*, was adopted in September 2018 and contains the requirements for contracted bus drivers. While the language pertaining to the required background clearances appears to be sufficient, there is unclear wording used to describe the requirements surrounding the *Arrest/Conviction Report and Certification Form/PDE-6004*. In fact, the PDE-6004 form is not even mentioned by name. Instead, the form is generally referred to, which makes it difficult for someone without extensive knowledge of PDE-6004 requirements to realize the policy’s language is referring to the PDE-6004 form. For example, under the *Pre-Employment Requirements* section of the policy, it states that “contractor

employees shall report, on the designated form, all arrests and convictions as specified on the form.” The policy does not specifically state that a **current version** of the *Arrest/Conviction Report and Certification Form/PDE-6004* must be completed by all prospective employees prior to employment. The *Arrest and Conviction Reporting Requirements* section of the policy also contains the same weaknesses, by not specifically identifying the required form to be completed.

Moreover, by *not* reviewing and monitoring contracted driver files, the District **did not comply with its own policy**, which states:

The Superintendent or designee shall review all information provided pursuant to this policy and determine if information is disclosed that precludes employment or continued service of an independent contractor or contractor employee.

Since the District was not monitoring bus driver qualifications and clearances, it failed to comply with this important clause in its policy.

Finally, the District’s agreement with its transportation contractor is outdated and flawed. The current contract was executed in July 2008 and covered a ten-year period beginning with the 2008-09 school year. During its September 17, 2015 board meeting, the Board voted to approve an extension to this outdated contract with the same terms and conditions to cover an additional three-year period up to June 30, 2021.<sup>20</sup>

Because the agreement is over ten years old, some of its terms are no longer relevant due to several changes in the law regarding background clearances. Additionally, current clearance requirements are not addressed in the contract since they did not exist at the time the agreement was executed. Consequently, we believe this is a flawed contract. For example, the outdated agreement contains provisions requiring drivers to be qualified and requiring the contractor to provide to the District a criminal history certificate on each prospective employee. However, the agreement *does not address* the obtainment of Federal

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<sup>20</sup> The original vendor was bought out by another vendor, and in July 2016, the District’s prior Superintendent approved the new vendor taking over the original contract subject to the same outdated terms and conditions.

Criminal History Records, PA Child Abuse History Clearances, or any of the other bus driver qualifications as required by law. The agreement also states that “drivers so employed shall be subject to School District approval.” While the District’s Board did approve drivers, the District failed to ensure the drivers were properly qualified before approving these individuals to transport students. Similarly, because the contractor’s records were incomplete and/or missing required documentation, the District’s records were also insufficient. These problems occurred because the District failed to monitor the terms of the agreement. Ultimately, these failures put students at a potential risk of harm.

### **Conclusion**

The District and its Board did not meet their statutory obligation to ensure that bus drivers are qualified and eligible to transport students. Specifically, the District failed to comply with laws, regulations, PDE’s guidance documents, board policy, and its own transportation contract. The District also failed to have a clear board policy regarding contracted driver requirements, an updated and appropriate transportation contract, and review procedures in place to ensure employment eligibility and continual oversight of the bus contractor and its drivers. Further, the Board’s approval of the original list of bus drivers after the start of the school year was essentially meaningless because the administration did not review drivers’ qualifications and clearances. As a result, drivers were allowed to transport students without the District ensuring they were qualified and cleared in accordance with state and federal laws including the PSC, the CPSL, and the Pennsylvania Vehicle Code.

### **Recommendations**

The *Brownsville School District* should:

1. Promptly update its transportation contract to address the current requirements of all laws and regulations governing the transportation of all District students. The contract should *clearly* address and outline the specifics of the legal duties of the District and the Board to ensure that drivers are qualified with the proper credentials and have obtained all clearances *before* the District authorizes them to transport District students.

2. Promptly revise its Policy 818 to clarify the language related to the Arrest/Conviction Report and Certification Form.
3. Promptly implement formal written procedures requiring the District to provide routine and ongoing monitoring of driver records. These procedures should ensure that all drivers are properly qualified and cleared *before* authorizing them to have direct contact with students. The procedures should also require the administration to attest in an open and public meeting before the Board that the list of drivers provided for approval contains only drivers for whom the District has obtained and reviewed *all* of the required records.
4. Ensure that the Board approves the vetted list of drivers *before* the start of the school year.
5. Develop a tracking system to monitor upcoming expiration dates to ensure timely renewal of driver qualification documents, such as licenses, physical exams, and background clearances, which are now required to be renewed every five years.
6. Provide training on Section 111 of the PSC, as well as the relevant provisions of the CPSL, the state Board of Education regulations, and/or the Vehicle Code. This training should be provided for all District employees responsible for maintaining up-to-date personnel files for contracted drivers *and* for those in charge of reviewing qualifications and clearances *prior* to authorizing drivers to transport students.

### **Management Response**

District management provided the following response:

#### Recommendations

The Brownsville School District should:

1. Promptly update its transportation contract to address the current requirements of all laws and regulations governing the transportation of all District students. The contract should clearly address and outline the specifics of the legal duties of the District and the Board to ensure that drivers are qualified with the proper

credentials and have obtained all clearances before the District authorizes them to transport District students.

*The District is currently in open discussions with the Contractor to update and revise outlining the specific legal duties of both parties and requirements of all laws and regulations.*

2. Promptly revise its Policy 818 to the language related to the Arrest/Conviction Report and Certification Form.

*The policy will be revised and approved at the August Board meeting to clarify language related to the Arrest/Conviction Report and Certification Form.*

3. Promptly implement formal written procedures requiring the District to provide routine and ongoing monitoring of driver records. These procedures should ensure that all drivers are properly qualified and cleared before authorizing them to have direct contact with students. The procedures should also require the administration to attest in an open and public meeting before the Board that the list of drivers provided for approval contains only drivers for whom the District has obtained and reviewed all of the required records.

*The district has put in place procedures to provide routine and ongoing monitoring to ensure driver qualifications are met and will formalize the procedures in a Board policy at the August meeting.*

4. Ensure that the Board approves the vetted list of drivers before the start of the school year.

*The driver list will be vetted in early August and approved by the Board at the August board meeting before school starts.*

5. Develop a tracking system to monitor upcoming expiration dates to ensure timely renewal of driver qualification documents, such as licenses, physical exams, and background clearances, which are now required to be renewed every five years.

*See # 3 response.*

6. Provide training on Section 111 of the PSC, as well as the relevant provisions of the CPSL, the state Board of Education regulations, and/or the Vehicle Code. This training should be provided for all District employees responsible for maintaining up-to-date personnel files for contracted drivers and for those in charge of reviewing qualifications and clearances prior to authorizing drivers to transport students.

*The District will provide training to both school and contractor personnel in early August.*

### **Auditor Conclusion**

We are pleased that the District agreed with the finding and that the District has started to implement corrective action to address the recommendations noted in this report. We would like to emphasize that the safety of the District's students should be of the utmost importance as part of the Board's legally mandated duties. The Board must provide oversight of its transportation services by ensuring that contracted bus drivers are properly qualified and cleared to transport students *before* they have direct contact with children. We will review the corrective action taken by the District during our next audit.

**Finding No. 4****The District Inaccurately Reported Transportation Costs and the Number of Nonpublic School Students Transported Resulting in a Net Overpayment of \$82,340***Criteria relevant to the finding:***Student Transportation Subsidy**

The PSC provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 (relating to Payments on account of pupil transportation) of the PSC specifies the transportation formula and criteria. *See* 24 P.S. § 25-2541.

**Supplemental Transportation Subsidy for Nonpublic Students**

Section 2509.3 of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. *See* 24 P.S. § 25-2509.3.

Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit or parochial school.

**Sworn Statement and Annual Filing Requirement**

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement, in a format prescribed by the Secretary of Education, of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. *See* 24 P.S. § 25-2543.

The District was overpaid \$82,340 in net transportation reimbursements from PDE. This net overpayment was due to the District inaccurately reporting its transportation costs for the 2015-16 school year, as well as inaccurately reporting the number of nonpublic school students transported during the 2013-14 through 2016-17 school years. Inaccurately reporting transportation costs resulted in the District being overpaid, while inaccurately reporting the number of nonpublic school students transported resulted in the District being underpaid.

Districts receive two separate transportation reimbursement payments from PDE. One reimbursement is based upon the number of students transported and the number of miles vehicles were in service both with and without students, the number of days students were transported, and transportation costs (regular transportation reimbursement). The other reimbursement is based upon the number of charter school and nonpublic school students transported by the District (supplemental transportation reimbursement). The errors we identified in this finding pertain to both the District's regular and supplemental transportation reimbursements.

It is important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for the transportation subsidies. The Brownsville School District filed this sworn statement for each of the 2013-14 through 2016-17 school years.

*Criteria relevant to the finding (continued):*

Section 2543 of the PSC, which is entitled, “Sworn statement of the amount expended for reimbursable transportation payment withholding” states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphases added.)

**PDE instructions for Local Education Agencies (LEA) on how to complete PDE-1049. PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE.**

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed 7/10/19)

#### **Fare Based Service**

Fare based service is service by a public transportation company with vehicles that are being used at the same time by the general public. Payment for this service is by purchase of tokens, payment of a fare, or purchase of a ticket. An LEA that contracts with a public transportation company (for example, a taxi service) for trips during which the general public could not use the same vehicle must be reported as contracted with a contractor.

## **Transportation Costs Reporting Errors**

Districts are required to annually report the amounts paid to each of its transportation contractors to PDE. PDE uses these amounts along with other elements like the number of students transported, total days transported, and total mileage to determine each district’s regular transportation reimbursement amount. In the 2015-16 school year, the District incorrectly reported \$97,355 of an individual transportation contractor’s cost as both contractor cost and fare-based transportation costs.

Incorrectly reporting this cost twice resulted in the District being overpaid \$97,355 regular transportation reimbursement for the 2015-16 school year. District officials acknowledged that this incorrect reporting of the same cost twice was the result of a clerical error and not confusion between contractor and fare-based transportation services. The District did not report fare-based transportation costs for any other year of the audit period. Additionally, the District did not have a process in place to review transportation costs prior to submitting this data to PDE. A second level review of this data is essential, and we believe having such a process in place would have helped the District to identify this error.

## **Nonpublic School Student Reporting Errors**

According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.<sup>21</sup> If school districts provide transportation services to students who reside in the district, the PSC requires school districts to provide transportation services to students who reside in its district and who attend nonpublic schools. The PSC also provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.

<sup>21</sup> See Section 922.1-A(b) (pertaining to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).



*Criteria relevant to the finding (continued):*

**Amount Paid Contractor**

Enter the total amount paid to this contractor for the service described for the vehicles listed under this Notification Number. This amount should include payment for any activity run service (some schools refer to this as a late run), but should not include payment for field trips, athletic events, extended school year, or any service provided other than to-and-from school transportation.

**Number of Nonpublic School Pupils Transported**

Enter the total number of resident NONPUBLIC school pupils you transported to and from school. Documentation identifying the names of these pupils should be retained for review by the Auditor General’s staff. NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school.

The following chart summarizes the District’s nonpublic school student reporting errors and the resulting net underpayment of \$15,015.

<b>Brownsville Area School District Nonpublic School Student Errors</b>		
<b>School Year</b>	<b>Number of Students (Under Reported) Over Reported</b>	<b>Overpayment/ (Underpayment)<sup>22</sup></b>
<b>2013-14</b>	3	\$ 1,155
<b>2014-15</b>	13	\$ 5,005
<b>2015-16</b>	(30)	(\$11,550)
<b>2016-17</b>	(25)	(\$ 9,625)
<b>Total</b>	<b>(39)</b>	<b>(\$15,015)</b>

The District was reliant on its transportation contractor to inform the District of the amount of nonpublic school students transported for each year of review. The District reported the number of nonpublic school students based on the transportation contractor’s statement. The District did not perform a review of this information or reconcile individual student’s requests for transportation to the list of students reported to PDE. Furthermore, the District was unable to reproduce a list of the total number of nonpublic school students reported for the 2013-14 and 2014-15 school years. Without this list, we were unable to determine the specific nonpublic school students who were incorrectly reported to PDE. The District attributed its inability to produce a list of nonpublic school students to turnover in its business office and turnover in the District’s transportation contractor. The District failed to update its bus rosters during the school year when nonpublic school students were added after the beginning of school. As a result, the District did not report all the nonpublic school students transported during the 2015-16 and 2016-17 school years.

The District did not have written administrative procedures for the reporting of transportation data, specifically addressing nonpublic school student reporting. Additionally, the District did not have a process to reconcile nonpublic school students reported to PDE to

<sup>22</sup> Calculated by the number of nonpublic students incorrectly reported multiplied by \$385 per student.

individual requests for transportation. A reconciliation process of this nature could have helped the District identify inaccurate data. District officials stated that due to limited staffing, the District does not have a second level review in place to verify the accuracy of their transportation data.

The District inaccurately reported transportation cost data and the number of nonpublic school students transported. The transportation cost reporting errors resulted in an overpayment of \$97,355 in regular transportation reimbursement, while the nonpublic school student reporting errors resulted in an underpayment of \$15,015 in supplemental transportation reimbursement, for a net overpayment of \$82,340. The errors identified in this finding may have been avoided had the District implemented a process to review the transportation cost data prior to submission to PDE for reimbursement.

It is essential that the District accurately report transportation data to PDE and retain the supporting documentation for this transportation data. Further, the sworn statement of student transportation data should not be filed with PDE unless the data has been double checked for accuracy by personnel trained on PDE's reporting requirements.

We provided PDE with reports detailing the transportation reporting errors for the 2013-14, 2014-15, 2015-16, and 2016-17 school years. PDE requires these reports to verify the reimbursement errors. The District's future transportation subsidies should be adjusted to resolve the net overpayment of \$82,340.

## **Recommendations**

The *Brownsville Area School District* should:

1. Develop written administrative procedures for transportation reporting. These procedures should include a review of the transportation data by an individual other than the person who prepared the data to provide additional assurance of the accuracy of the information before it is submitted to PDE.

2. Conduct annual multi-year trend analyses of contractor cost and fare based transportation costs to help identify unexpected fluctuations. The results of the analyses should be investigated to provide additional assurance that data is accurately reported to PDE.
3. Ensure personnel in charge of calculating and reporting the number of nonpublic school students transported by the District are trained with regard to PDE's transportation reporting requirements.
4. Perform yearly reconciliations of nonpublic school student lists to requests for transportation to ensure the students reported to PDE are accurate.

The *Pennsylvania Department of Education* should:

5. Adjust the District's future transportation reimbursements to resolve the net overpayment of \$82,340.

### **Management Response**

District management provided the following response:

1. Develop written administrative procedures for transportation reporting. These procedures should include a review of the transportation data by an individual other than the person who prepared the data to provide additional assurance of the accuracy of the information before it is submitted to PDE.

*The District will prepare written procedures for transportation reporting that include a review of the data by an individual other than the person preparing the report.*

2. Conduct annual multi-year trend analyses of contractor cost and fare based transportation costs to help identify unexpected fluctuations. The results of the analyses should be investigated to provide additional assurance that data is accurately reported to PDE.

*The District will conduct a multi-year analysis of costs to identify fluctuations and the results analyzed to provide assurance that the data is accurately reported.*

3. Ensure personnel in charge of calculating and reporting the number of nonpublic school students transported by the District are trained with regard to PDE's transportation reporting requirements.

*The District will ensure that the personnel in charge of collecting and reporting data are trained.*

4. Perform yearly reconciliations of nonpublic school student lists to requests for transportation to ensure the students reported to PDE are accurate.

*The District will perform yearly reconciliations of requests for transportation for non-public students.*

### **Auditor Conclusion**

We are pleased that the District agreed with the finding and that the District intends to begin implementing internal controls to ensure all documentation regarding transportation data is retained and reported accurately to PDE. We will determine the effectiveness of the District's corrective action taken during our next audit of the District.

## Finding No. 5

## The District Failed to Accurately Report Nonresident Student Data to PDE Resulting in an Overpayment of \$29,790

### *Criteria relevant to the finding:*

Section 1305(a) of the PSC provides for Commonwealth payment of tuition for nonresident children placed in private homes as follows:

“When a non-resident child is placed in the home of a resident of any school district by order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, **such resident being compensated for keeping the child**, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district.” (Emphasis added.) See 24 P.S. § 13-1305(a).

Section 2503(c) of the PSC specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil, as the case may be . . . .” See 24 P.S. § 25-2503(c).

State Board of Education’s regulations and PDE guidelines govern the classification of nonresident children placed in private homes.

We found that the District failed to accurately report student nonresident data to PDE for the 2013-14, 2014-15, and 2016-17 school years. Inaccurately reporting this data resulted in noncompliance with the PSC and the State Board of Education regulations. The District’s inaccurate reporting caused the District to be overpaid \$29,790 in subsidy reimbursements from PDE. These reporting errors occurred because District officials failed to annually obtain the necessary documentation to support categorizing and reporting some nonresident students.

For a district to be eligible to receive Commonwealth funding for a nonresident student at the resident student rate, the student’s parent/guardian must not be a resident of the educating district. In addition, the student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.<sup>23</sup> These students are commonly referred to as “foster students” and it is the requirement of the educating District to obtain the required documentation to correctly categorize and accurately report the number of foster students to PDE. The District inaccurately categorized and inaccurately reported a total of six foster students to PDE during the 2013-14 through 2016-17 school years.

Under the State Board of Education’s regulations, a district’s board of school directors is precluded from accepting a child as a student until the child’s parent/guardian who is a district resident files with the board secretary either: 1) appropriate legal documentation to show dependency or guardianship (e.g., an Agency

<sup>23</sup> For example, the relevant county children and youth agency.

*Criteria relevant to the finding (continued):*

Subsection (a) of Section 11.19 (relating to Nonresident child living with a district resident) of the State Board of Education's regulations provides as follows, in part:

"A nonresident child is entitled to attend the district's public schools if that child is fully maintained and supported in the home of a district resident as if the child were the resident's own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is a resident of the district, the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term." See 22 Pa. Code § 11.19(a).

**PDE instructions for the LEA on how to complete PDE 4507-Individual Data for Nonresident Students in Private Homes.**  
<https://www.education.pa.gov/Teachers%20-%20Administrators/Child%20Accounting/Pages/Instructions-for-Completing-PDE-4507.aspx>  
Accessed on 04/03/2019

**Student Name:** List the name of each nonresident student placed in a private home who is being educated in accordance with Section 1305 of the "Pennsylvania Public School Code of 1949."

Placement Letter (APLs)) or 2) a sworn statement that the child is a resident of the district.<sup>24</sup>

The District reported a total of 25 students as nonresident foster students during the four years we reviewed. However, when we requested the appropriate legal documentation to show dependency or guardianship for these 25 students, the District was unable to produce this documentation for 15 students. The District's failure to obtain this information was in noncompliance with the PSC and the District's own Board Policy No. 202 entitled, *Eligibility of Nonresidential Students*. This board policy addresses the placement of nonresident students and the requirement of the District to obtain required documentation to support the classification of nonresident students placed in a resident's home. Furthermore, the District did have internal written procedures for enrolling nonresident foster students which listed the documentation needed to support the placement of its nonresident students or require a reconciliation of this documentation to number of students reported. However, despite a board policy and internal procedures that addressed the required documentation needed, we found that the District did not have the required documentation on file.

We afforded the District multiple opportunities from November 2018 to June 2019 to obtain the missing required documentation that the District should have obtained when reporting its nonresident foster students to PDE. During this time period, the District was able to obtain the required documentation for 9 of the 15 nonresident foster students.

<sup>24</sup> See 22 Pa. Code § 11.19(a).

*Criteria relevant to the finding (continued):*

NOTE: Section 1305 of the “Pennsylvania Public School Code of 1949” provides for the education of a nonresident child placed in the home of a resident, such resident being compensated for keeping the child. LEAs should obtain a statement from the placing agency that the foster parent is receiving compensation and retain this information for review by auditors. *This information should be updated each school year to verify residency status.*

**Brownsville Area School District Board Policy #202 states:**

The Board shall operate district schools for the benefit of students residing in this district who are eligible for attendance.

The Board may permit the admission of nonresident students in accordance with Board policy. The Board shall require that appropriate legal documentation showing dependency or guardianship or a sworn statement of full residential support be filed with the Board Secretary before an eligible nonresident student may be accepted as a student in district schools. The Board may require a resident to submit additional, reasonable information to substantiate a sworn statement, in accordance with guidelines issued by the Department of Education.

The Board reserves the right to verify claims of residency, dependency and guardianship and to remove from school attendance a nonresident student whose claim is invalid.

If information contained in the sworn statement of residential support is found to be false, the student shall be removed from school after notice is given of an opportunity to appeal the student's removal, in accordance with Board policy.

The following table details the District errors for the remaining six students we identified during our review. In each school year cited in the table below, the District inaccurately reported these students as nonresident foster students without the required documentation. Without this required documentation, these students should have been reported as resident students.

<b>Brownsville Area SD Nonresident Foster Student Data Reported to PDE</b>			
<b>School Year</b>	<b>Nonresident Students Incorrectly Reported to PDE</b>	<b># of Days Incorrectly Reported</b>	<b>Overpayment<sup>25</sup></b>
<b>2013-14</b>	4	376	\$16,239
<b>2014-15</b>	1	98	\$ 5,334
<b>2016-17</b>	1	180	\$ 8,217
<b>Total</b>	<b>6</b>	<b>654</b>	<b>\$29,790</b>

The District must make more of a concerted effort to follow the requirements of the PSC and its own board policy and internal procedures. For each of the four years reviewed, the District failed to obtain APLs for the corresponding school year under review. The District was able to obtain support for all of the nonresident foster students reported in the 2015-16 school year. Requiring annual APLs to be completed could have helped the District accurately identify the residency status of the students reported to PDE as nonresident foster students.

We provided PDE with reports detailing the errors we identified for the 2013-14, 2014-15, and 2016-17 school years. PDE requires these reports to verify the overpayment to the District. The District’s future subsidy reimbursements should be adjusted by the amount of the overpayment.

<sup>25</sup> Commonwealth tuition is determined by identifying if the nonresident student is an elementary or secondary student and the District’s tuition rate for the applicable category.

*Criteria relevant to the finding (continued):*

The Board shall not be responsible for transportation to or from school for any nonresident student residing outside school district boundaries.

Tuition rates shall be determined annually in accordance with law. Tuition shall be charged monthly, in advance of attendance.

*Nonresident Children Placed In Resident's Home*

Any child placed in the home of a district resident by a court or government agency shall be admitted to district schools and shall receive the same benefits and be subject to the same responsibilities as resident students.

*Residents of Institutions*

A child who is living in or assigned to a facility or institution for the care or training of children that is located within this district is not a legal resident of the district by such placement; but s/he shall be admitted to district schools, and a charge shall be made for tuition in accordance with law.

*Other Nonresident Students*

A nonresident student may be admitted to district schools without payment of tuition where attendance is justified on the grounds that the student lives full-time and not just for the school year with district residents who have assumed legal dependency or guardianship or full residential support of the student.

The district shall immediately enroll homeless students, even if the student or parent/guardian is unable to produce the required documents, in accordance with Board policy, laws and regulations.

## **Recommendations**

The *Brownsville Area School District* should:

1. Annually obtain APLs for all nonresident students and ensure that the APLs contain all required information needed to determine the residency status of each student.
2. Update procedures to include a reconciliation of the number of nonresident students reported to PDE to individual APLs and ensure that a review of this reconciliation is performed by someone other than the person who prepared the reconciliation.

The *Pennsylvania Department of Education* should:

1. Adjust the District's future subsidy reimbursement to resolve the overpayment of \$29,790.

## **Management Response**

District management provided the following response:

1. Annually obtain APLs for all nonresident students and ensure that the APLs contain all required information needed to determine the residency status of each student.

*The District will train staff to collect APLs for all non-resident students.*

2. Update procedures to include a reconciliation of the number of nonresident students reported to PDE to individual APLs and ensure that a review of this reconciliation is performed by someone other than the person who prepared the reconciliation.

*The District will update procedures to include reconciliation and review by someone other than the person who prepared the report.*



*Criteria relevant to the finding  
(continued):*

The Superintendent or designee shall develop administrative regulations for the enrollment of nonresident students.

The Superintendent shall recommend to the Board for its approval the admission of qualified nonresident students.

### **Auditor Conclusion**

We are pleased that the District agrees with our finding and that the District intends to address these reporting weaknesses by annually obtaining APLs for all nonresident students and having procedures in place for the reconciliation of the number of nonresident students reported to PDE by someone other than the person who prepared the reconciliation. We will evaluate the effectiveness of these and any other actions taken by the District during our next audit.

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

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**O**ur prior audit of the Brownsville Area School District (District) released on January 15, 2015, resulted in two findings, 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 January 15, 2015**

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**Prior Finding No. 1:      Errors in Reporting of Transportation Payments to Pennsylvania Department of Education Resulted in Subsidy Underpayment of \$196,267**

Prior Finding Summary: During our prior audit of the District transportation contractor costs, we found that the District incorrectly reported contractor costs in the 2012-13 school year to the Pennsylvania Department of Education (PDE). The reporting errors resulted in the District being underpaid a total of \$197,267 for the 2013-14 payable school year.

Prior Recommendations: We recommended that the District should:

1. Establish internal review procedures of transportation reports prior to the submission of the reports to PDE.

We also recommended that PDE should:

2. Reimburse the District for the transportation subsidy underpayment of \$196,267 for the 2013-14 payable school year.

Current Status: The District did not take corrective action to address our recommendations. The District did not establish internal review procedures for all transportation reports prior to being submitted to PDE. (See Finding No. 4 on page 35).

In February 2017, PDE adjusted the District's allocation to recover the \$196,267 underpayment cited in the prior audit.

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**Prior Finding No. 2: Failure to Have All School Bus Drivers' Qualifications on File**

Prior Finding Summary: During our prior audit of the District, for the 2013-14 school year, we found that not all records were on file at the District to support the District's bus drivers' qualifications.

Prior Recommendations: We recommended that the District should:

1. Ensure that District's personnel are familiar with Pennsylvania's school bus driver's requirements.
2. Establish procedures to ensure that contractor recommended drivers' credentials are reviewed prior to Board approval to ensure completeness and appropriateness.
3. Establish policies and procedures to ensure that the contractor does not allow any bus driver to transport students prior to obtaining all required credentials and providing a copy to the District for review and Board approval.
4. Establish procedures to ensure that District personnel access Federal Bureau of Investigation clearances and a copy kept on file for audit.

Current Status: We found that the District did not take corrective action to address our prior recommendations. The District failed to ensure that it has contracted bus drivers were qualified and cleared to transport students. (See Finding No. 3 on page 26).

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

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School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>26</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### **Scope**

Overall, our audit covered the period July 1, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Brownsville Area School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).<sup>27</sup> In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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<sup>26</sup> 72 P.S. §§ 402 and 403.

<sup>27</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, 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, 2013 through June 30, 2017. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- ✓ Financial Stability
- ✓ Transportation Operations
- ✓ Bus Driver Requirements
- ✓ Nonresident Student Data
- ✓ School Safety

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ 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?
  - To address this objective, we reviewed the District's annual financial reports, General Fund budgets, and independent auditor's reports for the 2013-14 through 2017-18 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. See Finding No. 1 on page 11 of this report for the results of our review for this objective.
- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?<sup>28</sup>
  - To address this objective, we reviewed all of the nonpublic school students reported to PDE as being transported by the District for the 2013-14, 2014-15,

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<sup>28</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

2015-16, and 2016-17 school years.<sup>29</sup> We determined whether each nonpublic school student reported to PDE was enrolled in a nonpublic school and if the District transported the student and obtained a request for transportation for each student. See Finding No. 4 on page 35 for the results of our review of this objective.

- Additionally, we reviewed the District’s contract with its primary transportation provider. We interviewed District officials who were involved with selecting the District’s primary transportation providers and District officials responsible for paying these providers. Additionally, we reviewed the board meeting minutes for the 2015-16, 2016-17, 2017-18, and 2018-19 school years. Finally, we randomly selected three months of transportation invoices during the 2016-17 fiscal year and attempted to reconcile the invoices to the payment terms of the transportation contract.<sup>30</sup> See Finding No. 2 on page 20 of this report for the results of our review for this objective.
- ✓ Did the District ensure that bus drivers transporting District students had the required driver’s license, physical exam, training, background checks, and clearances<sup>31</sup> as outlined in applicable laws?<sup>32</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - To address this objective, we reviewed all of the 47 bus drivers transporting District students as of November 27, 2018. For each driver selected, we reviewed documentation and qualifications of drivers to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures ensured compliance with bus driver hiring requirements. See Finding No. 3 on page 26 of this report for the results of our review for this objective.
- ✓ Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?<sup>33</sup>

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<sup>29</sup> The District reported 57 nonpublic students transported in the 2013-14 school year, 64 students transported in the 2014-15 school year, 20 students transported in the 2015-16 school year, and 34 students transported in the 2016-17 school year.

<sup>30</sup> While representative selection is a required factor of audit sampling methodologies, audit sample methodology was not applied to achieve this test objective, accordingly, the results of this audit procedure are not, and should not be, projected to the population.

<sup>31</sup> Auditors reviewed the required state, federal and child abuse background clearances from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

<sup>32</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8.

<sup>33</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- To address this objective, we reviewed all 25 nonresident students reported by the District to PDE during the 2013-14, 2014-15, 2015-16, and 2016-17 school years. We obtained documentation to verify that the custodial parent or guardian was not a resident of the District and the foster parent received a stipend for caring for the student. The student listings were compared to the total days reported on the Membership Summary and Instructional Time and Membership Report to ensure that the District received correct reimbursement for these students. See Finding No. 5 on page 41 of this report for the results of our review for this objective.
  
- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>34</sup>
  - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies and fire drill reports. In addition, we conducted on-site reviews of both of the District's school buildings to assess whether the District had implemented basic safety practices.<sup>35</sup> Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our report. The results of our review of school safety are shared with District officials, PDE, and other appropriate agencies deemed necessary.

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<sup>34</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>35</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

## **Distribution List**

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

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

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

**The Honorable Joe Torsella**

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