

PERFORMANCE AUDIT

Erie City School District Erie County, Pennsylvania

July 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Brian J. Polito, Superintendent
Erie City School District
148 West 21st Street
Erie, Pennsylvania 16502

Dr. Tyler Titus, DSW, Board President
Erie City School District
148 West 21st Street
Erie, Pennsylvania 16502

Dear Mr. Polito and Dr. Titus:

We have conducted a performance audit of the Erie City School District (District) for the period July 1, 2015 through June 30, 2019, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in Appendix A of this report:

- Transportation Operations
- Administrator Separations
- Bus Driver Requirements
- Professional Certifications

We also evaluated the application of best practices and determined compliance with certain requirements in the area of school safety, including compliance with fire and security drill requirements. 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 full results in this report. However, we communicated the full results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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.

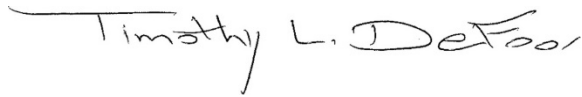
Our audit identified areas of noncompliance and significant internal control deficiencies in the areas of transportation operations, administrator separations, bus driver requirements, and professional certifications and are detailed in Findings No. 1, 2, 3, and 4 of this report. We also identified noncompliance with fire drill requirements and those deficiencies are detailed in Finding No. 5 of this report. A summary of the results is presented in the Executive Summary section of this report.

Mr. Brian J. Polito
Dr. Tyler Titus
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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 that 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 that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line extending from the start of the name.

Timothy L. DeFoor
Auditor General

June 22, 2021

cc: **ERIE CITY SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

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

Our audit scope covered the period July 1, 2015 through June 30, 2019, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2015-16 through 2018-19 school years.

Audit Conclusion and Results

Our audit found areas of noncompliance and significant internal control deficiencies as detailed in the five findings in this report.

Finding No. 1: The District's Failure to Implement an Internal Control System Resulted in an Unauditable \$3.3 Million in Transportation Reimbursements. We found that the District did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. Additionally, the District did not comply with the Public School Code (PSC) when it failed to retain adequate source documentation for district-owned and contracted transportation services to support the reimbursements it received for these services for the 2015-16 through 2018-19 school years, and therefore, we could not determine the accuracy of the over \$3.3 million the District received in regular transportation reimbursements (see page 8).

Finding No. 2: The District Failed to Implement Adequate Internal Controls Over Its Administration of a Post-Employment Contractual Liability.

We found that the District failed to implement an adequate internal control system over the eligibility determination and payment process for a cash "death benefit" that the District is contractually obligated to pay to beneficiaries or estates on record for certain retired employees. The District also failed to implement adequate internal controls over the calculation and monitoring of the District's liability amount for the payment of future death benefits, which was recorded as \$4.6 million as of June 30, 2020 (see page 15).

Finding No. 3: The District Failed to Obtain and Review Driver Qualification Records for Drivers Transporting District Students.

We found that the District failed to meet its statutory obligations related to individuals having direct contact with students during the 2019-20 school year by not maintaining complete and updated driver qualifications and background clearances for all drivers transporting students. Specifically, we found missing documentation for district-employed drivers and no records or Board of School Directors approval of contracted drivers. We also found that the District was not following or monitoring adherence to its own transportation contracts which required the contractor to provide the District with all necessary background clearances for all drivers and other adults involved in the transportation of students. By not obtaining, maintaining, and monitoring complete driver records for both contracted and district-employed drivers, the District could not ensure that all drivers were properly qualified to transport students, thereby placing students at potential risk of harm (see page 22).

Finding No. 4: The District Did Not Implement Adequate Internal Controls to Ensure Compliance with Professional Personnel Certification Requirements.

We found that the District failed to implement adequate internal controls over hiring and the review and monitoring of its professional personnel's certifications and emergency permits. The control deficiencies resulted in the District failing to comply with the PSC when it hired three professional employees who did not hold proper certification or an emergency permit issued by the Pennsylvania Department of Education (PDE). Additionally, we found one teacher was working with a lapsed certificate during our audit period. The District's employment of these individuals may cause the District to be subject to a PDE subsidy forfeiture totaling \$11,046 for the 2015-16 through 2019-20 school years pending a review and final determination by PDE (see page 27).

Finding No. 5: The District Failed to Conduct All Required Monthly Fire Drills and Meet the Security Drill Requirements of the Public School Code.

Our review of the District's fire and security drill data found that the District failed to either conduct and/or accurately report all of their PSC required monthly fire drills at all 15 of the District's school buildings in the 2018-19 and 2019-20 school years. Our review also disclosed that the District was unable to provide documentation supporting its compliance with the PSC requirement to conduct a security drill in all school buildings during the first 90 days of the 2018-19 school year. Lastly, we found that the District's Superintendent inappropriately attested to the accuracy of the drill data recorded in the annual report and certification statements required to be submitted to PDE for both school years (see page 32).

Status of Prior Audit Findings and Observations.

Our prior audit of the District was released on December 14, 2015 and resulted in four findings and nine recommendations. During our current audit, we found that the District did take appropriate corrective actions to address the majority of our prior recommendations.

Specifically, we found that the District implemented two of our three recommendations to our first prior audit finding concerning the District's declining General Fund balance and that the District increased its General Fund balance as of July 1, 2019. The District also implemented most of our recommendations concerning the District's reporting of supplemental transportation data (prior Finding No. 2), the use of District issued cell phones (prior Finding No. 3), and the District's employment of annuitants (prior Finding No. 4)

Background Information

School Characteristics 2019-20 School Year*	
County	Erie
Total Square Miles	19.37
Number of School Buildings	15
Total Teachers	750
Total Full or Part-Time Support Staff	340
Total Administrators	59
Total Enrollment for Most Recent School Year	10,438
Intermediate Unit Number	5
District Career and Technical School	Erie High School

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

Mission Statement*

The Erie School District will create in its schools, and in its relationship the Erie community, a culture of high expectations, collaboration, respect, and accountability.

We will actively engage students in their learning through a high quality curriculum and excellent teaching.

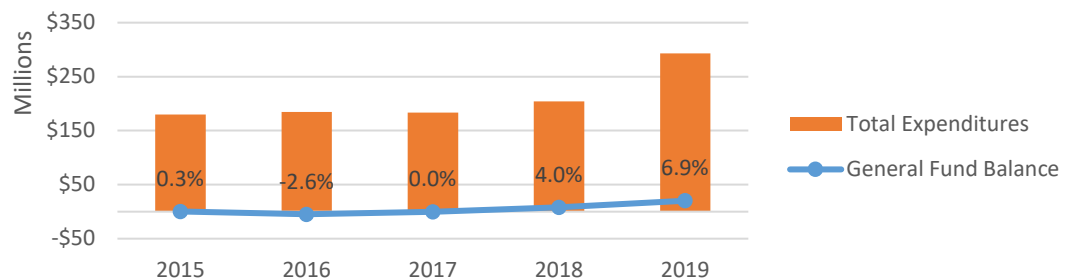
Our primary purpose as an organization is to prepare our students to establish and achieve their higher education and career goals.

Financial Information

The following pages contain financial information about the Erie City School 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**.

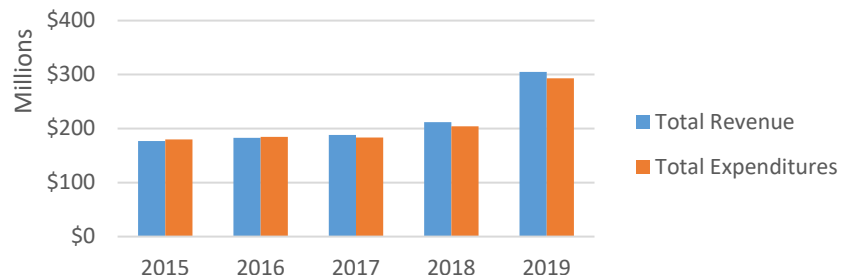
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2015	\$521,771
2016	(\$4,777,128)
2017	(\$67,050)
2018	\$8,184,310
2019	\$20,227,696



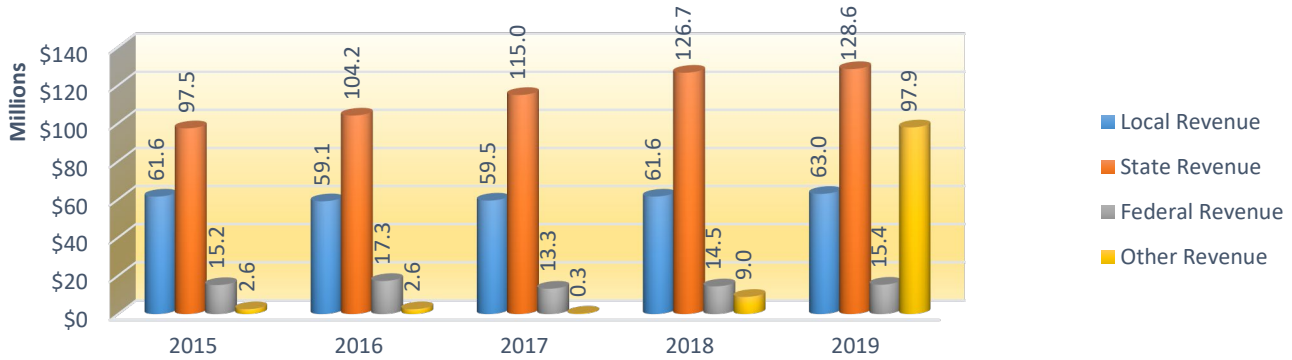
Revenues and Expenditures

	Total Revenue	Total Expenditures
2015	\$176,778,990	\$179,944,470
2016	\$183,157,495	\$184,413,474
2017	\$187,986,329	\$183,276,252
2018	\$211,769,012	\$204,359,432
2019	\$304,906,302	\$292,862,917

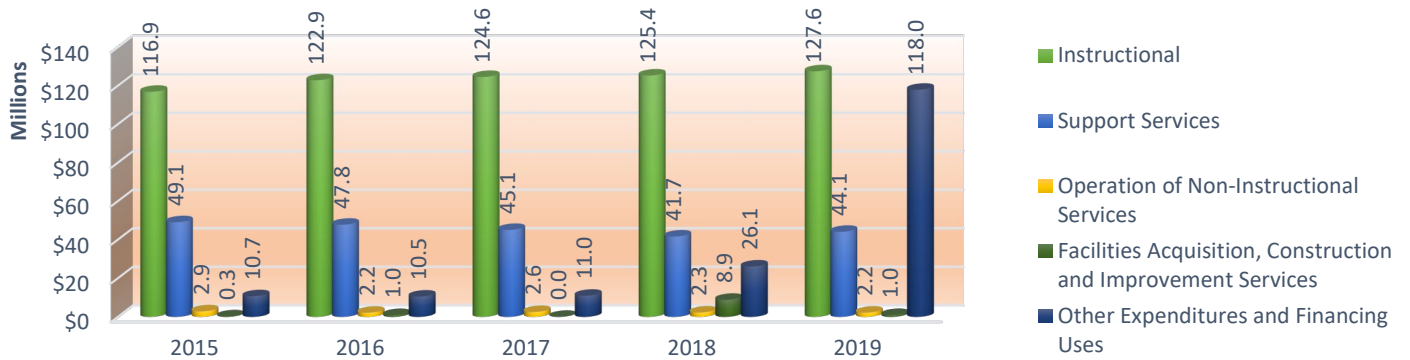


Financial Information Continued

Revenues by Source

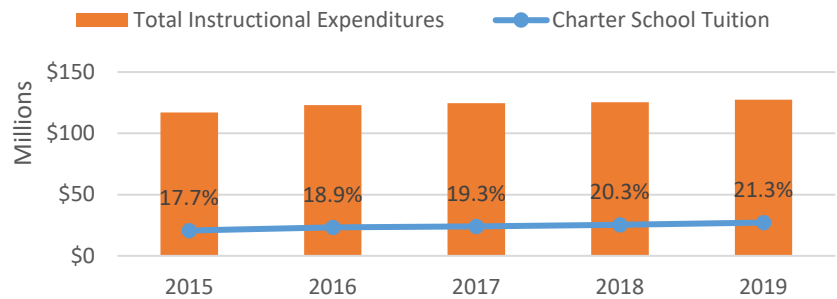


Expenditures by Function

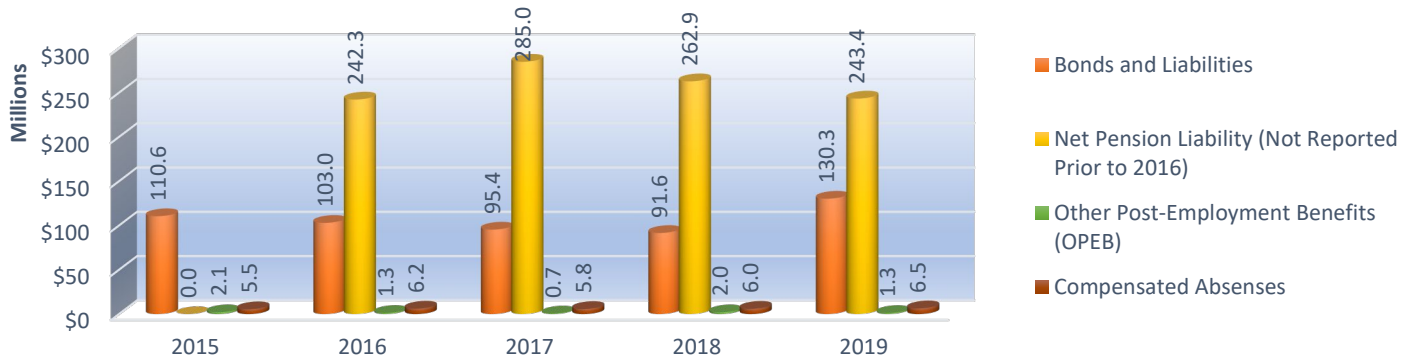


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2015	\$20,682,543	\$116,900,999
2016	\$23,252,432	\$122,904,298
2017	\$24,070,332	\$124,607,746
2018	\$25,410,596	\$125,364,549
2019	\$27,167,614	\$127,553,275



Long-Term Debt

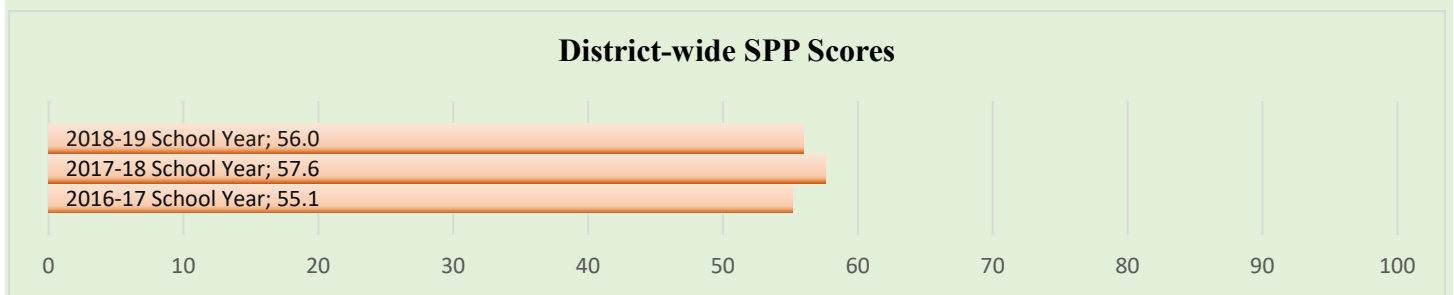


Academic Information

The graphs on the following pages present the District-wide 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 2016-17, 2017-18, and 2018-19 school years.¹ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

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 annually using a 0-100 scale for all school buildings in the Commonwealth, 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.²



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

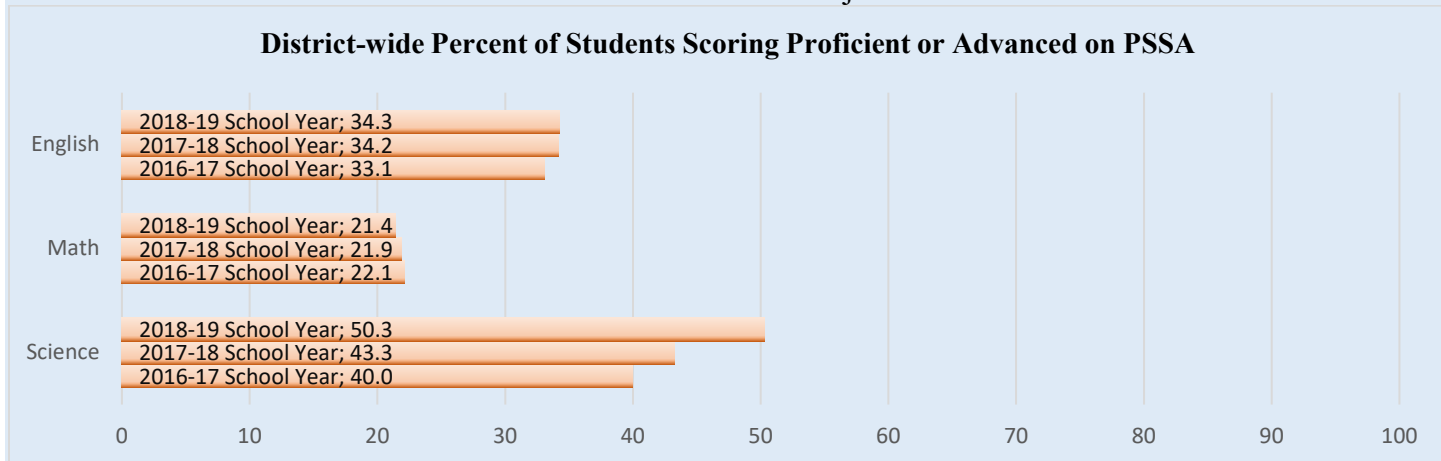
² PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

Academic Information Continued

What is the PSSA?

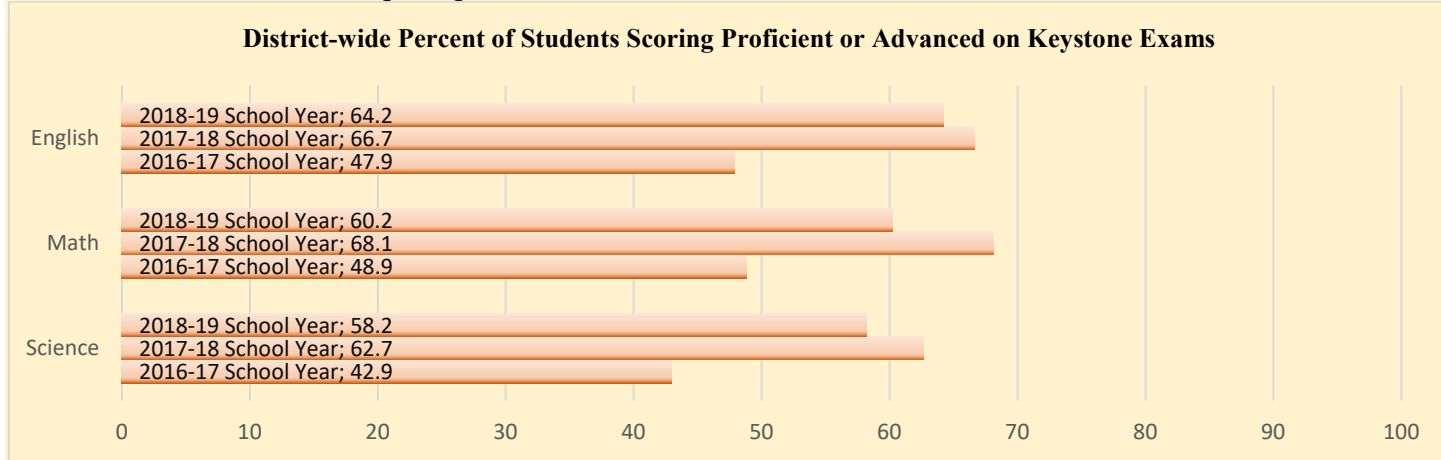
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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. The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.



What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.³ 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.

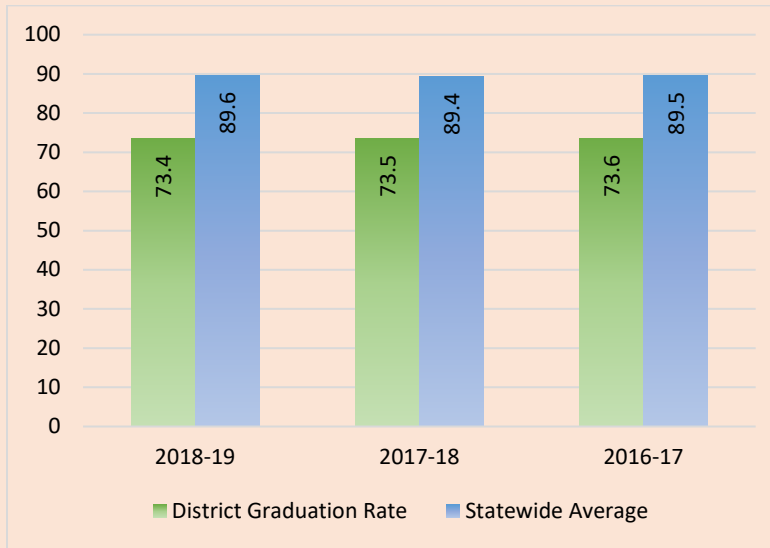


³ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) on Keystone end-of-course exams (Keystone Exams) in the context of the pandemic of 2020: <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/Pages/Keystone-Exams.aspx>

Academic Information Continued

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 below.⁴



⁴ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information:
<https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

Findings

Finding No. 1

The District's Failure to Implement an Internal Control System Resulted in an Unauditable \$3.3 Million in Transportation Reimbursements

Criteria relevant to the finding:

Student Transportation Subsidy

The Public School Code (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.

Total Students Transported

Section 2541(a) of the PSC states, in part: "School districts shall be paid by the commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable pupils transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes..." See 24 P.S. § 25-2541(a).

We found that the Erie City School District (District) did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. Additionally, the District did not comply with the record retention provisions of the Public School Code (PSC) when it failed to retain adequate source documentation for district-owned and contracted transportation services and the reimbursements it received for these services for the 2015-16 through 2018-19 school years; therefore, we could not determine the accuracy of over \$3.3 million the District received in regular transportation reimbursements.

Background

School districts receive two separate transportation reimbursement payments from the Pennsylvania Department of Education (PDE). The **regular** transportation reimbursement is broadly based on the number of students transported, the number of days each vehicle was used for transporting students, and the number of miles the vehicles are in service, both with and without students. The **supplemental** transportation reimbursement is based on the number of nonpublic and charter school students transported. The lack of documentation identified in this finding pertain to the District's regular transportation reimbursement.

During the audit period, the District utilized district-owned vehicles, contracted vehicles, and fare-based public transportation to provide transportation services to students. The fare-based transportation consisted of the District purchasing bus passes from the Erie Metropolitan Transit Authority for District students, and these costs were reported as part of the District's annual transportation data required to be reported to PDE.

It is essential that records related to the District's transportation reimbursements be retained in accordance with the PSC's record retention provisions (for a period of not less than six years) and be readily available for audit. Periodic auditing of such documents is extremely important for District accountability and verification of accurate reporting. Therefore, the District should have a strong system of internal control over its regular and supplemental transportation operations that should include, but not be

*Criteria relevant to the finding
(continued):*

**Sworn Statement and Annual
Filing Requirements**

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with the Pennsylvania Department of Education (PDE) in order to be eligible for the transportation subsidies and 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.” (Emphasis added.) See 24 P.S. § 25-2543.

Record Retention Requirement

Section 518 of the PSC requires that the financial records of a district be retained by the district for a period of not less than six years. See 24 P.S. § 5-518.

limited to, the following:

- Segregation of duties.
- Written policies that include record retention procedures.
- Training on PDE reporting requirements.

It is also important to note that the PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for transportation reimbursements.⁵ The sworn statement includes the superintendent’s signature attesting to the accuracy of the reported data. Because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide it with the confidence it needs to sign the sworn statement.

**More than \$3.3 Million in Regular Transportation Reimbursements
Unauditable**

In accordance with PDE guidelines, school districts are required to report the number of miles per day, to the nearest tenth, that each vehicle travels with and without students. Districts are also required to report the number of students assigned to each vehicle. If the miles traveled and students assigned to each vehicle changes during the school year, an average must be calculated and reported.

District-owned vehicles

The District used both its own vehicles and contracted vehicles to transport its students during the audit period. We found the District retained the monthly odometer/mileage readings to support the number of miles each vehicle traveled with and without students for district-owned vehicles. The mileage readings for each vehicle were compiled and recorded on a summary spreadsheet. We performed a cursory review of this data and found numerous discrepancies between this data and the data reported to PDE, but we were unable to quantify the errors monetarily due to the lack of documentation.

In addition, we found that the District did not maintain adequate supporting documentation for the number of students assigned to each district-owned vehicle. Without this supporting documentation, we were unable to verify the accuracy of the district-owned vehicle data reported to PDE.

Contractor-owned vehicles transporting District students

The District received annual vehicle mileage summary spreadsheets from its contractors during the audit period. This summary information was

⁵ See 24 P.S. § 25-2543.

Criteria relevant to the finding (continued):

PDE instructions for local education agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually.

Types of Service Provided

- a. LEA-owned service is transportation of students to and from school by school districts that use their own vehicles.
- b. Contracted service may be provided by a contract with a contractor – this includes service with a provider who is in the business of transportation service (including taxi service). This may include commercial vendors as well as sole proprietors.
- c. 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 purchases of tokens, payment of a fare, or purchase of a ticket.

accepted by the District without documentation supporting this data. The District would use the information on the spreadsheet to report miles, days, and student data to PDE. The District reported this data without verifying its accuracy with source documents such as odometer readings and student rosters. Therefore, without any source documents, we were unable to verify the accuracy of the contracted vehicle data reported to PDE. District officials stated that they were unaware of PDE's requirements pertaining to the retention of supporting documentation for transportation reimbursements.

The number of District and contracted vehicles that provided services during the audit period and the reimbursement received from PDE based on the utilization of these vehicles to transport students is shown on the following table:

Table 1

Erie City SD District-owned and Contracted Transportation Data		
School Year	Reported Number of Vehicles	Total Reimbursement Received
2015-16	50	\$1,005,727
2016-17	52	\$ 961,681
2017-18	50	\$ 668,356
2018-19	55	\$ 738,047
Totals	207	\$3,373,811

Irregularities in Hazardous Route Student Reporting

Students transported are classified into multiple reporting categories, including students transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route. Elementary students residing within 1.5 miles of their respective school or secondary students residing within 2 miles of their school are not eligible to be reported as reimbursable unless the student resides on a PennDOT determined hazardous walking route.

Table 2 shows the number of students the District reported to PDE as eligible for reimbursement due to residing on a hazardous walking route. A review of the reported data reveals a significant fluctuation in the number of students reported from year to year. When we attempted to audit the data, we found that for each year of the audit period the District did not have a list of students that agreed with the number reported. Furthermore, the list that the District did provide to us did not have the student address information needed to determine if the students resided

within 1.5 – 2.0 miles of their respective school and lived on a PennDOT determined hazardous route.

Table 2

Erie City School District Transportation Data Reported to PDE	
School Year	Number of Students Reported as Reimbursable Due to Residing on a Hazardous Route
2015-16	232
2016-17	552
2017-18	408
2018-19	529
Total	1,721

In addition to not having documentation to support the numbers reported to PDE, we found that the District did not obtain hazardous walking route determinations from PennDOT. When we questioned the District about how the District determined these students should be reported as reimbursable due to residing on a hazardous walking route, District officials stated that an internal hazardous route determination was made by District officials. The determinations were based on factors such as if the student had to walk across railroad tracks or a busy intersection on their route to their respective school. The District employee responsible for making this determination and reporting this data was not properly trained on PDE reporting requirements and did not know that the District had to obtain hazardous walking route determination documentation from PennDOT.

Because the District did not obtain hazardous route determinations from PennDOT, technically, none of the students reported in this category over the four-year period was eligible for reimbursement. We will communicate this deficiency to PDE for their consideration and to determine if the District's future transportation reimbursements should be adjusted.

Significant Internal Control Deficiencies

Our review revealed that the District did not have an adequate internal control system over the process of collecting, obtaining, maintaining, reviewing, and reporting regular transportation data to PDE. Specifically, we found that the District did not do the following:

- Ensure that the employee responsible for reporting transportation data to PDE was adequately trained on PDE's reporting requirements and that the required supporting documentation was obtained and retained.

- Implement adequate segregation of duties when it assigned responsibility to one employee for reporting regular transportation data to PDE.
- Ensure that an employee other than the employee responsible for preparing and reporting transportation data to PDE reviewed the data before it was submitted to PDE.
- Develop detailed written procedures for accurately reporting students eligible for reimbursement due to residing on a PennDOT determined hazardous walking route.
- Ensure it obtained source documentation from its contractor and ensure that this information is reviewed for completeness and accuracy.

All of the above internal control deficiencies led to the irregularities we discussed in this finding and resulted in our inability to audit the District's total regular transportation reimbursements.

Finally, the need for the District to institute adequate internal controls over regular transportation data and retain supporting documentation for district-owned and contracted provided services has become even more essential because the District is transitioning away from using fare-based transportation and increasing the use of District-owned vehicles to provide transportation services to its students.

Recommendations

The *Erie City School District* should:

1. Develop and implement an internal control system over its regular transportation operations. The internal control system should include, but not be limited to, the following:
 - All personnel involved in inputting, categorizing, calculating, and reporting transportation data are trained on PDE's reporting requirements.
 - A review of transportation data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
 - Clear and concise written procedures are developed to document the transportation data collection, categorization, and reporting process.

2. Ensure that complete supporting documentation for all regular transportation data, including hazardous walking routes, is obtained, reviewed, and retained in accordance with PSC requirements. Record retention procedures should be documented and staff should be trained on these procedures.
3. Contact PennDOT and schedule a route assessment within the District to officially designate District walking routes that are hazardous.

Management Response

District management provided the following response:

“The District agrees with the Auditor General's findings regarding transportation reimbursements and will take the following steps to ensure the accuracy of transportation reporting moving forward:

1. An additional staff accountant will be hired to oversee all grant and subsidy reporting.
2. All personnel involved with the transportation data will be attending the PASBO Elements of Transportation course.
3. Written procedures will be completed and implemented with the 2020-2021 filing of the PDE-2089 and PDE-1049.
4. A checklist of required supporting documentation will be provided to all transportation vendors. Contracted carriers will be required to submit supporting documentation on a monthly basis before payments will be processed.
5. The district will contact the Pennsylvania Department of Transportation to schedule a route assessment to officially designate District walking routes that are hazardous.

The District does not agree with the assertion that \$3.3 million in transportation reimbursement subsidy payments is unauditible. The district agrees that it erroneously reported the actual number of students transported on district owned vehicles and source documentation from some contracted carriers could not be located. However, source documentation is available for more than 80% of the transportation subsidy received for contracted carriers.”

Auditor Conclusion

We are pleased that the District is taking steps to improve controls over the accuracy of the transportation data being reported to PDE. Throughout the course of our audit, the District provided additional documentation to support its transportation reimbursement received. However, as stated in

the finding, PDE uses mileage data, number of students transported, and the number of days transported for each vehicle as the primary determination of the District's annual reimbursement amount. The District was unable to provide documentation to support the number of students transported on district-owned vehicles. While the District states this information was reported inaccurately, the lack of complete supporting documentation precluded us from making an evidence-based conclusion that the number of students was inaccurately reported.

As for the contractor data, we agree that the District was able to produce some supporting documentation for these vehicles; however, the District was unable to provide complete supporting documentation for these vehicles. For the majority of contracted vehicles, the District was unable to provide documentation supporting the reported figures for one or more of the following categories: number of students transported, number of days transported, and mileage transported with and without students. Without this crucial documentation, we were unable to audit the \$3.3 million cited in the finding.

Finding No. 2

The District Failed to Implement Adequate Internal Controls Over Its Administration of a Post-Employment Contractual Liability

Criteria relevant to the finding:

Salary and Fringe Benefits –
Administrative Personnel Agreement
effective July 1, 2018—
June 30, 2023

Section W ***

2. Death Benefit - The Board will provide a \$7,500 death benefit made payable to the employee's beneficiary or estate with the following restrictions:

- Ten (10) consecutive years in the Erie School District.
- To begin with retirees from the 1983-84 fiscal year.
- Must retire into the Public Employee's Retirement System.
- Payment of death benefits shall be based on the contractual amount in effect at the time of retirement.

The United States Government Accountability Office issued *Standards of Internal Control in the Federal Government* (known as the Green Book) which provides the overall framework for establishing and maintaining an effective internal control system. The Green Book sets the standard for internal control framework for state, local, and quasi-governmental entities, as well as not-for-profit organizations.

We found that the District failed to implement an adequate internal control system over the eligibility determination and payment process for a cash "death benefit" that the District is contractually obligated to pay to beneficiaries or estates on record for certain retired employees. The District also failed to implement adequate internal controls over the calculation and monitoring of the District's liability amount for the payment of future death benefits, which was recorded as \$4.6 million as of June 30, 2020. Specifically, the District did not implement adequate segregation of duties and instead relied on its payroll manager to:

- Determine who was eligible to receive the death benefit.
- Obtain appropriate documentation to support eligibility determinations and the amount of the death benefit to be paid.
- Initiate payment of the death benefit.
- Determine the District's liability related to the death benefit.

We also found inaccuracies in the documentation supporting the District's \$4.6 million recorded liability and determined that the District's failure to implement adequate internal controls could lead to benefit payments to ineligible individuals.

Background

Beginning in the 1983-84 fiscal year and continuing through the date of this report, the District offered its retired employees a benefit that we found to be atypical for most school districts. The District provides a cash payment to its retired employees' beneficiaries or estate upon request after the death of the employee. This benefit is stipulated in the District's employment contracts for its administrators, teaching personnel, and support staff. The benefit amount varies from \$3,000 to \$7,500 based on the employee's classification and amount contractually stipulated at the time of retirement. For example, the District's current contract with its administrators effective July 1, 2018 through June 30, 2023, provided for a \$7,500 death benefit payment for employees who retired into the Public School Employees' Retirement System and worked for the Erie City School District for a minimum of ten consecutive years.

*Criteria relevant to the finding
(continued):*

Control Environment Principle 2 –
Exercise Oversight Responsibility

2.01 The oversight body should oversee the entity's internal control system.

2.09 The oversight body oversees management's design, implementation, and operation of the entity's internal control system. The oversight body's responsibilities for the entity's internal control system include the following:

- **Control Environment** - Establish integrity and ethical values, establish oversight structure, develop expectations of competence, and maintain accountability to all members of the oversight body and key stakeholders.
- **Risk Assessment** - Oversee management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.
- **Control Activities** - Provide oversight to management in the development and performance of control activities.
- **Information and Communication** - Analyze and discuss information relating to the entity's achievement of objectives.
- **Monitoring** - Scrutinize the nature and scope of management's monitoring activities as well as management's evaluation and remediation of identified deficiencies.

The District's audited financial statement for the year ended June 30, 2020 indicated that the recorded liability for this death benefit was more than \$4.6 million.⁶ According to the District, as of March 2021, there were total of 1,441 former employees eligible for this benefit.

Significant Internal Control Deficiencies

Our review revealed that the District did not have an adequate internal control system over the handling of eligibility determinations, processing the benefit payments, and monitoring the ongoing liability amount. Specifically, we found that the District did not:

- Develop and implement policies and procedures to assist employees in:
 - determining eligibility for this benefit,
 - ensuring that payments were made only to the beneficiary/estate on record, and
 - monitoring the District's ongoing liability.
- Implement procedures to ensure that the internal spreadsheet was updated to reflect payments made to the former employee's beneficiaries/estate.
- Implement a review process to ensure that data entered into the spreadsheet was complete and accurate.
- Perform a review to ensure that payments made to the former employee's beneficiary/estate were supported by the required documentation on file.

The importance of sound internal controls over this process cannot be overstated. The District is carrying a \$4.6 million liability on its books, and it must ensure that it has appropriate documentation to support the liability. In addition, since the death benefit has been in effect for decades, and the benefit amount and eligibility criteria stipulated in the different employment contracts over the years have varied, the District should have controls in place to ensure the accuracy of both the recorded liability and the actual payments. We found that the District did not have an adequate internal control system over this process and relied on informal and undocumented procedures and a limited number of staff to perform all aspects of this process.

Informal Process of Eligibility Determination, Monitoring, and Payment

Since the District did not have written policies and procedures over this process, we asked current District officials to explain the process of

⁶ According to the District, the death benefit liability is a component of the District's total *Other Post-Employment Benefits* (OPEB) which is required to be reported annually in the District's Independent Auditors Report.

Criteria relevant to the finding (continued):

2.10 These responsibilities are supported by the organizational structure that management establishes. The oversight body oversees management's design, implementation, and operation of the entity's organizational structure so that the processes necessary to enable the oversight body to fulfill its responsibilities exist and are operating effectively.

determining who was eligible for this benefit, how the total amount of the death benefit liability was calculated and monitored, and how the payments are made to former employees' beneficiaries/estates. We were informed that the payroll manager, with reliance on the human resources department, was responsible for determining an employee's eligibility for the death benefit at the time of retirement.

The District did not maintain documentation to show the employee's years of service and which employment contract was applicable to support this determination. Once an employee was determined to be eligible, the employee was required to complete a *Death Benefit Nomination of Beneficiary* form that was to be maintained by the District's payroll manager. This form lists names of the beneficiaries eligible to claim the benefit upon death of the former employee.

Data for employees determined to be eligible for the death benefit was entered on an internal spreadsheet maintained by the payroll manager. This internal spreadsheet was used to support the District's ongoing liability and to track former employees eligible for the benefit. We found that the District did not ensure that an employee (other than the employee who entered the data) reviewed the data on the spreadsheet for completeness and accuracy. We obtained and reviewed the District's spreadsheet and found that it only captured the following information:

- Group ID (i.e., Teachers Union, Administrators, Non-Professional Union, Non-Professional Non-union).
- Former Employee's Name.
- Date of Birth.
- Benefit Amount.

After a retired employee's death, the employee's beneficiary/estate can claim the death benefit by contacting the District's payroll manager and providing a copy of the retired employee's death certificate and a W-9 IRS Form (Request for Taxpayer Identification Number and Certification). District officials stated that the beneficiary/estate name at the time of death must match the name(s) on the *Death Benefit Nomination of Beneficiary* form for payment to be made. However, the District did not require the beneficiary to verify identity when claiming the benefit. Once this request for payment, in the form of a requisition, was prepared by the District's payroll manager it was forwarded to the District's finance and accounts payable department.⁷ Then the District issued a check to the beneficiary/estate. Once a check was issued, the payroll manager was responsible for deleting the liability from the District's internal spreadsheet. This last step was crucial to ensuring that the ongoing total liability was accurate. District officials informed us that all payments to beneficiaries were approved by the Board of School Directors (Board).

⁷ Payments are processed through the District's general operating funds.

Inaccurate/Incomplete Spreadsheet

As previously stated, the internal spreadsheet contained very limited information, and when we questioned District officials for the rationale behind keeping only the limited information, they did not provide a reason. They stated that the spreadsheet was started years ago and is continuing to be used based on past practice.

A review of the data for the 1,441 retired employees listed on the internal spreadsheet revealed numerous inaccuracies and/or incomplete information that are concerning. We found numerous employees were missing group IDs and/or dates of birth. Additionally, 13 employees on the spreadsheet had dates of birth that were over 100 years ago, 36 employees had dates of birth in the future, and 139 employees did not have a date of birth documented on the spreadsheet. District officials acknowledged that this document contained inaccurate information and was not updated as intended. District officials also stated that they were unsure how many retired employees on the list have died and for whom the related death benefit has not yet been claimed.

As noted earlier, the District did not document the factors for eligibility determinations for the retired employees listed on the spreadsheet. We also noted that the District did not confirm eligibility when a request for payment was made by the retired employee's beneficiary/estate.⁸

Lack of Adequate/Required Supporting Documentation

To determine if the District maintained adequate supporting documentation for each retired employee on the spreadsheet, we selected 60 retired employees from the spreadsheet and reviewed the documentation in the District's files. We found that the District failed to ensure that each retired employee's file contained the documentation required to comply with the District's unwritten procedures. Of the 60 files we reviewed, we identified issues with the beneficiary form in **20 files**. Specifically, we found:

- **Three files** were missing the *Death Benefit Nomination of Beneficiary* form.
- **Seventeen files** had *Death Benefit Nomination of Beneficiary* forms that did not have two witness signatures, as required, and/or the form was undated.

The lack of *Death Benefit Nomination of Beneficiary* forms increases the risk that payments could be made to unauthorized beneficiaries/estates.

⁸ During the 2019-20 fiscal year, the District paid 21 claims totaling \$73,500.

Our review also revealed one file that contained evidence that the death benefit was paid to the beneficiary in 2015; however, the name and associated payment of \$3,000 was not removed from the total liability spreadsheet. We found another file that showed the retired employee had died, but the District could not determine if the death benefit was claimed. The discrepancies we identified in our limited test of 60 files confirmed that the District's ongoing liability spreadsheet was inaccurate; therefore, the District's recorded \$4.6 million liability for this benefit was also inaccurate.

While District officials we interviewed acknowledged the lack of controls over maintaining complete and accurate information on the spreadsheet and ensuring that the beneficiary forms are completed and maintained, they stated that they did implement adequate controls over the payment process. District officials believe that requiring a requisition for payment of death benefit claims and requiring that payments be processed by the finance and accounts payable department demonstrate that sufficient control procedures were implemented.

We disagree. The District did not require the finance department personnel to make payments only to persons on record as the actual beneficiary, coupled with the fact that multiple files we reviewed were missing the beneficiary forms, increases the risk that payments could be made to ineligible persons.

Conclusion: If the District decides to continue this unusual benefit, which results in a significant post-employment liability to former employees, it is imperative for the District to implement strong internal controls over the process (i.e., eligibility determinations, benefit payments, and liability calculation). A well-defined internal control system will help the District achieve desired results through effective stewardship of public resources. Part of this stewardship is ensuring that public funds are only paid to eligible recipients and that District liabilities presented to the public are accurately calculated.

Recommendations

The *Erie City School District* should:

1. Consider reviewing the death benefit provision in each of the employment contracts and determine if it is fiscally prudent to continue providing the benefit in future contracts.
2. Develop and implement an internal control system governing the process pertaining to the death benefit liability. The internal control system should include, but not be limited to, the following:
 - a. Clear and concise written procedures to document the eligibility determination and benefit payout process that includes appropriate steps to ensure payments are accurate and properly recorded.

- b. A review of all data recorded for employees for whom a future benefit may be paid by an employee other than the employee who entered the data.
 - c. A reconciliation process between the payments to be made to beneficiary(s) and the recorded liability along with documentation of the payee(s) names and the payment amount(s) before payments are made.
- 3. Ensure that records for eligible employees and retirees include accurate and complete employee data for the determination of eligibility (e.g., date of hire, retirement date, years of service) and the death benefit amount earned.
 - 4. Review the personnel file for all retired employees listed on the total liability spreadsheet and ensure that each file has a complete and signed *Death Benefit Nomination of Beneficiary* form.
 - 5. Require beneficiaries requesting payment of the death benefit to provide proof of their identity prior to paying the death benefit.

Management Response

District management provided the following response:

“The District agrees with the Auditor General's recommendations to strengthen internal controls over the administration of the death benefit process. However, the District disagrees with the assertion that there were significant deficiencies over handling of eligibility determinations, and processing benefit payments. Although the procedures were not written, eligibility for the benefit was determined by an employee in the human resources department and verified by the payroll manager. The audit found no instance where a death benefit was paid to beneficiaries of an ineligible employee.

The District will develop written procedures to document compliance with eligibility requirements of the Death Benefit for all future retirees. This procedure will include multiple sign offs from the Human Resources department as well as Payroll Department.

The District's tracking mechanism will be updated to include all pertinent information including but not limited to hire date, retirement date, date of birth, years of services and bargaining unit group for all future retirees.

For any Death Benefit payouts, a copy of the individual's identification card will be kept on file with documentation showing the payment was made.”

Auditor Conclusion

We are pleased that the District acknowledges there are internal control deficiencies and intends to implement our recommendations. However, while our audit did not disclose an actual instance where a death benefit was paid to a beneficiary of an ineligible employee, we noted that there is an increased risk of ineligible payments due to the lack of controls. As stated in our finding, our testing of 60 files disclosed three instances where the beneficiary form was not on file; therefore, the District cannot be assured that when the time comes, it will provide the death benefit payment only to eligible beneficiaries. Ensuring the propriety of these payments from the initial claim to the issuance of the payment is an essential responsibility of the District.

Furthermore, because the District did not implement controls over the maintenance of the master listing of retirees eligible for this benefit, the District was unable to attest to its accuracy. As noted in the finding, the master listing was missing several important data elements necessary to document eligibility and ensure proper payments. In addition, we identified numerous inaccuracies and missing information on the master list that the District used as evidence to support its recorded \$4.6 million liability related to this benefit.

We stand by our conclusion that there were significant internal control deficiencies over this administration of this benefit. Nonetheless, we are encouraged that the District agrees with our recommendations and we will review the effectiveness of the District's planned corrective actions during our next audit of the District.

Finding No. 3

The District Failed to Obtain and Review Driver Qualification Records for Drivers Transporting District Students

Criteria relevant to the finding:

Internal Control Standards

Standards for Internal Control in the Federal Government (also known as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. Specifically, Section 10.03, states, in part, “Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. . . .”

Statutory and Regulatory Requirements

Chapter 23 (relating to Pupil Transportation) of the State Board of Education’s 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(b) of the Child Protective Services Law (CPSL) requires a child abuse clearance. *See* 24 P.S. § 1-111 and 23 Pa.C.S. § 6344(b), as amended. Additionally, administrators are required to maintain copies of all required clearances. *See* 24 P.S. § 1-111(b) and (c.1) and 23 Pa.C.S. § 6344(b.1).

We found that the District failed to meet its statutory obligations related to individuals having direct contact with students during the 2019-20 school year by not maintaining complete and updated driver qualifications and background clearances for **all** drivers transporting students. Specifically, we found missing documentation for district-employed drivers and no records or Board approval of contracted drivers. We also found that the District was not following or monitoring adherence to its own transportation contracts which required the contractor to provide the District with all necessary background clearances for all drivers and other adults involved in the transportation of students. By not obtaining, maintaining, and monitoring complete driver records for both contracted and District employed drivers, the District could not ensure that all drivers were properly qualified to transport students, thereby placing students at potential risk of harm.

Background

The District has its own bus fleet and employs its own drivers to operate those vehicles. Additionally, the District contracted with five vendors to provide transportation services for select student populations and for its students attending charter and nonpublic schools.

Importance of Internal Controls

Several state statutes and regulations that establish the minimum required qualifications for school bus and van drivers include, among others, the PSC and the Child Protective Services Law (CPSL). The District’s Board is responsible for the selection and approval of eligible operators who qualify under the law and regulations.⁹ Internal controls help to ensure that drivers are properly qualified and vetted prior to transporting District students. Therefore, the District should have a strong system of internal control over its driver review process that should include, but not be limited to, the following:

- Documented review of all driver credentials prior to Board approval.
- Monitoring of driver credentials to ensure current clearances, licenses, and physicals are on file.
- A system to track who is transporting students throughout the school year to ensure contractors are not utilizing unapproved drivers.

⁹ *See* 22 Pa. Code § 23.4(2).

*Criteria relevant to the finding
(continued):*

Furthermore, both the PSC and the CPSL now require recertification of the required state and federal background checks and the child abuse clearance every 60 months (or every five years). *See* 24 P.S. § 1-111(c.4) and 23 Pa.C.S. § 6344.4.

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).

Moreover, Section 6344(a.1) and (b)(1) of the CPSL require school employees to obtain a Pennsylvania Child Abuse History Clearance to certify whether an applicant is named in the Statewide database as an alleged perpetrator in a pending child abuse investigation or as the perpetrator of a founded report or an indicated report. *See* 23 Pa.C.S. § 6344(a.1) and (b)(1).

As for contracted school bus drivers, 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). *See also* CPSL 23 Pa.C.S. § 6344(a.1)(1).

- Clear and concise written procedures.
- Training on driver qualification and clearance requirements.

Driver Employment 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 can transport students with Board approval:

1. Driver qualification credentials,¹⁰ including
 - a. Valid driver's license (Commercial driver's license if operating a school bus).
 - b. Valid school bus endorsement card commonly referred to as an "S" card, indicating completion of skills and safety training (if operating a school bus).
 - c. Annual physical examination (if operating a school bus).
2. Criminal history reports/clearances:
 - a. State Criminal History Clearance (PSP¹¹ clearance).
 - b. Federal Criminal History Clearance, based on a full set of fingerprints (FBI clearance).
 - c. PA Child Abuse History Clearance.

It is important to note that all three clearances must be obtained every five years.¹²

Missing Qualification Documents for District Employed Drivers

We reviewed the qualification and clearance documentation for all of the District's 28 full and part-time drivers employed in March 2020. We found that the District was missing documentation for four of those drivers. Three drivers were hired and allowed to transport students even though they did not provide a copy of their State Criminal History Background clearance. Instead of providing a clearance issued by the PSP, they provided a copy of the receipt indicating that they paid for the clearance. Accepting the receipt instead of the actual clearance significantly weakens the intended controls and could put students at risk because the District could not determine if the driver had convictions that

¹⁰ Pennsylvania's Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

¹¹ Pennsylvania State Police.

¹² 24 P.S. § 1-111(c.4) and 23 Pa.C.S. § 6344.4.

*Criteria relevant to the finding
(continued):*

Pursuant to Section 111(c.4) of the PSC, administrators are required to review the background clearances and determine if the clearance reports disclose information that may require further action. *See* 24 P.S. § 1-111(c.4).

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

Section 111(e) of the PSC lists convictions for certain criminal offenses that require an absolute ban to employment. Section 111(f.1) to 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 8.2 of Title 22, Chapter 8 (relating to Criminal Background Checks) of the State Board of Education's 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 employees would have direct contact with children." (Emphasis added.) *See* 22 Pa. Code § 8.2(a).

would prohibit direct contact with children. Additionally, one newly hired driver was missing a required physical exam card. This driver was still hired, approved by the Board, and allowed to drive students even though all required documentation was not on file. These errors occurred because there were no internal controls in place to ensure communication and coordination between the District's personnel and transportation departments or a standardized review process for new drivers.

Noncompliance with Board Policy

As stated above, the District did not have complete records on file for four of its drivers; therefore, we determined that the District did not comply with Board Policy No. 504, *Employment of Non-Instructional Employees*, which states in relevant part:

"The Personnel Director shall be responsible for maintaining and updating complete files of applicants and employed personnel."

No Records or Board Approval for Contracted Drivers

During interviews with District officials, we were informed that the District **does not** maintain driver credentials and background clearances for any of its contracted drivers. Therefore, there were no records for us to review to determine whether or not these drivers were properly qualified and cleared to transport students. By not obtaining, reviewing, and maintaining driver records, as well as failing to obtain Board approval for all drivers, the District did not comply with the PSC, the CPSL, the state Vehicle Code, the State Board of Education regulations, and PDE guidance.

According to District officials, they relied on the contractors to hire qualified individuals and monitor whether or not the drivers stayed current with their credentials. While transportation contractors have an obligation to ensure driver compliance with qualification and clearance requirements, it is ultimately the District's responsibility to determine driver fitness and eligibility before individuals begin transporting students and then to monitor eligibility for continued employment. As such, establishing a standardized review process and ongoing monitoring procedures is crucial to a District ensuring that its contracted drivers meet all employment requirements. This responsibility has been heightened by recent amendments to the PSC and CPSL requiring that all background clearances be renewed every five years. Without a process to monitor the expiration dates on these items, which pertain to qualifications and clearances, the District would be unaware of when drivers with expired credentials and/or clearances are transporting students.

*Criteria relevant to the finding
(continued):*

PDE Guidance Document

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](https://www.education.pa.gov/Educators/Clearances/Pages/default.aspx)).

Failure to Monitor Compliance with Transportation Contracts

As stated above, the District contracted with five vendors to provide transportation services. Our review disclosed that the District failed to enforce a standard term included in its transportation contracts with the various vendors requiring them to provide background clearances to the District. A District official responsible for transportation operations acknowledged that he was not aware of the contract requirement and, therefore, did not ensure compliance with that provision.

Conclusion

The District and its Board did not meet their statutory obligations to ensure that drivers were qualified and eligible to transport students by not having adequate internal controls in place to properly oversee all drivers, both district-employed and contracted employees. Specifically, the District and its Board failed to comply with all applicable laws, regulations, PDE guidance documents, and its contract terms by failing to obtain, review, and maintain all required driver qualifications and clearances and by not properly monitoring and updating ongoing driver requirements. Ensuring that ongoing credential and clearance requirements are satisfied are vital student protection legal and governance obligations and responsibilities placed on the District and its Board. The ultimate purpose of these requirements is to ensure the safety and welfare of students transported on school buses and vans. The use of a contractor to provide student transportation does not negate the District's legal obligations and responsibilities.

Recommendations

The Erie City School District should:

1. Comply with the PSC's requirements to obtain, review, and maintain driver credentials and background clearances for all drivers, including contracted drivers.
2. Implement internal control procedures that includes a documented review process specific to all drivers to ensure that only qualified and authorized individuals are driving for the District. These procedures should ensure that all required credentials and clearances are obtained, reviewed, and on file at the District prior to individuals being presented to the Board for approval and before transporting students, and that all required documentation is complete, monitored for expiration dates, and updated as necessary.
3. Implement monitoring procedures to ensure compliance with contract terms that require the transportation contractors to submit all driver qualification and clearance documents to the District.

Management Response

District management agreed with the finding and provided the following pertinent response:

“Upon initial hire the Erie School District HR Department and Transportation Department will review requirements and sign off that credentials and background checks are in order. The District provided review sheets-Erie's Public Schools Driver Checklist and New Hire Non-Instructional Checklist that will be used in this process.

Internal controls will be completed with the review by both departments and will be entered in the software system by the Transportation Department and reviewed by the HR Department. Clearance dates are entered into the software system and reports are run on a routine basis to check clearances that may be expiring. HR contacts employees as they get close to their expiration dates. In addition, HR is working with the software vendor to implement an automatic email from the software system to the employee at three separate intervals as a reminder to ensure compliance.

A process has been instituted to track driver certification in the software system and will be audited by HR. A new position in HR has been created, HR Analyst and Compliance Manager, who will be responsible for tracking and auditing both credentials and clearances.

Starting with the Pupil Transportation Contracts for the 2020-2021 School Year, all contracted vendors are required to supply the District with the appropriate clearances for drivers prior to reimbursement/payment is made to the vendor. Transportation payments will be processed through the finance department. A checklist of all required documentation will accompany any and all transportation payment. Unless all items are fully completed no such payments will be made.”

Auditor Conclusion

We are encouraged that the District is taking appropriate measures to implement our recommendations including improving controls over the collection and monitoring of driver qualifications. We will evaluate the effectiveness of the corrective actions noted above and other corrective action implemented during our next audit of the District.

Finding No. 4

The District Did Not Implement Adequate Internal Controls to Ensure Compliance with Professional Personnel Certification Requirements

Criteria relevant to the finding:

PSC Certification Requirements

Required State Certification for Professional Employees

Section 1202 of the PSC provides, in part:

“ . . . No teacher shall teach, in any public school, any branch which he has not been properly certified to teach....” *See* 24 P.S. § 12-1202.

Definitions

Section 1101(1) of the PSC states:

“The term ‘professional employe’ shall include those who are certificated as teachers, supervisors, supervising principals, principals, assistant principals, vice-principals, directors of vocational education, dental hygienists, visiting teachers, home and school visitors, school counselors, child nutrition program specialist, school librarians, school secretaries the selection of whom is on the basis of merit as determined by eligibility lists and school nurses.” *See* 24 P.S. § 11-1101(1).

We found that the District failed to implement adequate internal controls over hiring, reviewing, and monitoring its professional personnel’s certifications and emergency permits. The control deficiencies resulted in the District failing to comply with the PSC when it hired three professional employees who did not hold a proper certification or an emergency permit issued by PDE. Additionally, we found one teacher was working with a lapsed certificate during our audit period. The District’s employment of these individuals may cause the District to be subject to a PDE subsidy forfeiture totaling \$11,046 for the 2015-16 through 2019-20 school years pending a review and final determination by PDE.

Background

The District’s Office of Human Resources is responsible for the hiring of all professional employees, including teachers and substitute teachers. The District is responsible for staffing its classrooms with employees who have valid teaching certificates issued by PDE, or who have submitted all necessary documentation to PDE to demonstrate compliance with required credentials to obtain an emergency permit to teach. All documentation related to obtaining teaching certificates or emergency permits is reviewed and evaluated by PDE. Individuals should not be hired and/or assigned to a teaching position until a valid certificate and/or emergency permit is obtained from PDE. A decision to hire and assign employees to classroom responsibilities without holding proper state certification potentially places students at risk of being taught in classrooms with adults who have not or will not meet the teaching requirements set forth by PDE.

Inadequate Internal Controls Related to Teacher Certification

Our review revealed that the District did not have adequate internal controls over approving, reviewing, and monitoring its professional personnel certifications and emergency permits during the audit period. Specifically, we found that the District did not do the following:

- Have standard written procedures for defining employee responsibilities for approving, reviewing, and monitoring professional personnel certifications.

*Criteria relevant to the finding
(continued):*

**Forfeitures for employing
improperly certified individuals**

Section 2518 of the PSC provides, in part:

“... has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education...shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio ...”
See 24 P.S. § 25-2518.

**PDE Certification and Staffing
Guidelines**

**Provisional and Permanent
Certificates**

PDE issues two types of teaching certificates. A Level I certificate is a provisional certificate, and a Level II certificate is a permanent certificate. When applying for a certificate, candidates must identify the certificate type and subject area for which they plan to apply. According to PDE’s CSPG No. 7,¹³ a Level I certificate must be converted to a Level II certificate before the end of its validity period. Validity is determined by an individual’s service time and **not** calendar years. Level I instructional and educational specialist certifications are valid for six years of service. To apply for a Level II instructional II certificate, one must have been teaching in Pennsylvania on a Level I certificate for 3-6 years of satisfactory service and have earned 24 post-baccalaureate credits.

- Have written administrative procedures in place to ensure that all professional employees are properly certificated and qualified before they are hired.
- Ensure individuals obtained the required emergency permit from PDE prior to hiring and making classroom assignments.
- Establish clear and consistent communications with PDE regarding pending requests for emergency permits.

By not having adequate internal controls in place, we found teachers who did not hold the appropriate state certification, as described below.

Certification Deficiencies

For the 2019-20 school year, we reviewed the certification for 60 of the District’s 414 secondary level professional personnel. Of the 60 secondary personnel selected for testing, we noted 42 had valid Level II certificates, 13 had Level I certificates, 4 had emergency permits, and one did not have a certificate or an emergency permit.

Lapsed Teaching Certificate

PDE issues two types of teaching certificates: a Level I provisional certificate and a Level II permanent certificate. A Level I certificate must be converted to a Level II certificate before the end of its validity period, which is typically after six years of service. A certificate **lapses** when the allowable service time period expires and the certificate holder has not converted to the required Level II certificate.

We reviewed the service time for all 13 professional personnel with a Level I certificate and found that one professional employee was working with a lapsed certificate. We did not find any issues with individuals holding a Level II permanent certificate. Through discussions with District staff, we determined that the District used a manual and antiquated process for monitoring the service time of Level I certificate holders during our audit period. However, the District’s current Director of Human Resources has implemented new procedures for tracking educators’ service times in order to prevent further lapsed teaching certificates. This new system may be reviewed during our next regularly scheduled audit of the District.

Emergency Permits

School districts may request an emergency permit be obtained by an employee/new hire to fill a vacant position when they are unable to find a fully qualified and properly certified educator holding a valid and active

¹³ CSPG No. 7 – Level II (Permanent) Certification: Level I provisional certificates must be converted to Level II permanent certificates by the end of the validity period by meeting specific requirements.

Criteria relevant to the finding (continued):

A certificate **lapses** when the allowable service time period expires and the certificate holder has not converted to a Level II instructional II certificate. If PDE's Bureau of School Leadership and Teacher Quality (BSLTQ) determines that the employee's certificate has lapsed, the school entity must immediately relieve that employee of any professional responsibilities or it will suffer a forfeiture penalty.

Emergency Permits

According to PDE's CSPG No. 13, a LEA may request an emergency permit to fill a vacant position when it is unable to find a certified educator holding a valid and active certificate. Emergency permits are requested by the Chief School Administrator of the LEA that has a permanent, temporary, or day-to-day opening for a professional employee. The permit is valid from the first day of the month of issuance, until the last day of summer school in that school year. The LEA is required to post any permanent or temporary vacancy for a minimum of 10 days on the school entity's website before submitting an initial or reissuance application for an emergency permit to fill the vacancy.

Internal Control Standards

Standards for Internal Control in the Federal Government (also known as the Green Book), issued by the Comptroller General of the United States in September 2014, provides a framework for management to establish and maintain an effective internal control system. Principle 10, *Design Control Activities*, Attribute 10.03, states, in part, "Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. . . ."

certificate. The emergency permit must be obtained from PDE for an individual to serve in a vacant position as a long-term or day-to-day substitute. If the candidate meets the requirements established by PDE, an emergency permit is issued. The permit is valid from the first day of the month of issuance until the last day of summer school in that school year. Further, the permit may be reissued in subsequent years upon the submission of the appropriate application to PDE from the public school entity and the completion of conditions established by PDE.

Our review disclosed that the District hired two professional employees before PDE approved and issued the emergency permits. Additionally, the District hired one professional employee who applied for an emergency permit, but an emergency permit was never issued by PDE. Consequently, the District failed to adequately monitor the status of employees working under emergency permits during our audit period.

The District explained that it was the responsibility of a Confidential Secretary in the District's Human Resource Office to communicate with PDE regarding the status of any pending emergency teaching permits, including monitoring the process through PDE's online system. However, we found that the District failed to adequately monitor the status of employees working under emergency permits. Furthermore, according to District officials, we learned that an employment offer is made based on the applicant agreeing to apply for an emergency permit through PDE. The District does not wait for PDE's review and determination before assigning emergency permit holders to the classroom, as it should.

Referral to PDE

Certification deficiencies and subsidy withholdings are ultimately determined by PDE, which is the agency responsible for overseeing teacher certification requirements in Pennsylvania. Information pertaining to the certification deficiencies identified in this finding were submitted to PDE for final determination and action. If PDE determines that the teachers were not properly certified, the District would be subject to subsidy forfeitures as shown in the following table:

Erie City School District Potential Subsidy Forfeitures	
School Year	Forfeiture Amount
2015-16	\$1,360
2016-17	\$1,305
2017-18	\$1,475
2018-19	\$2,568
2019-20	\$4,338
Total	\$11,046

The District could face a subsidy forfeiture totaling \$11,046, which is typically deducted from its state funding allocation. Subsidy forfeitures are calculated based on the number of employees and the length of time they were employed with the District without a valid teaching certificate and/or emergency permit.

Recommendations

The *Erie City School District* should:

1. Develop detailed written procedures for approving, reviewing, and monitoring professional personnel certifications. The procedures should include steps related to ensuring proper certification during the hiring process.
2. Review the status of permits and certifications held by professional staff for the 2020-21 school year and all future years.
3. Implement procedures to track years of service for all individuals who are not permanently certified to prevent lapsed certificates.

The *Pennsylvania Department of Education* should:

4. After review and final determination, adjust the District's allocation to recover any subsidy forfeiture imposed on the District.

Management Response

District management agreed with the finding and provided the following response:

"In order to improve the internal controls, the staffing and processes in Human Resources have been reviewed. There will be a restructure of the Department, realignment of duties and addition of staff. It has been determined that EPS has a need for a position dedicated to Regulatory Compliance. A position has been developed and is currently open for applications. The job description is attached.¹⁴ This position will assist with the processes and controls.

1. EPS has addressed inadequacies in our software system and internal process. The HR Analyst and Compliance Manager will work with other HR team members (Director, Recruiting Manager) to review certification needs of ALL instructional positions within the district. In the event of an uncertified candidate, a "Do not start until Certified" policy has been adopted. Employees will not start without the appropriate certification or emergency permit. A New Hire Teacher checklist is used to gather all required documents.

¹⁴ The job description that was included in the District's response is not included in this report.

2. The PDE TIMS report listing EPS employees and their current certifications has been used to review all instructional certifications for our professional employees. Teachers hired for the current SY have been vetted PRIOR to placement. This report will be reviewed on a schedule agreed upon by the Director of Human Resources and Analyst and Compliance Manager.
3. At the time of hire, the Level 1 Conversion Worksheet will be completed upon receipt, verified, accurate dates will be entered into the B+ employee management software system.

To monitor compliance and achieve expected compliance results, the department will work together to continue to review processes and audit on a periodic basis. There will be an established timeline to review and audit when the new position is filled.”

Auditor Conclusion

We are encouraged that the District is taking appropriate measures to implement all of our recommendations and improve controls over the teacher certification process. We will evaluate the effectiveness of its corrective actions during our next audit of the District.

Finding No. 5

The District Failed to Conduct All Required Monthly Fire Drills and Meet the Security Drill Requirements of the Public School Code

Criteria relevant to the finding:

Section 1517(a) of the PSC requires:

“Except as provided under subsection (a.1), in all school buildings of school entities where fire-escapes, appliances for the extinguishment of fires, or proper and sufficient exits in case of fire or panic, either or all, are required by law to be maintained, fire drills shall be periodically conducted, **not less than one a month**, by the teacher or teachers in charge, under rules and regulations to be promulgated by the chief school administrator under whose supervision such school entities are. In such fire drills, the pupils and teachers shall be instructed in, and made thoroughly familiar with, the use of the fire-escapes, appliances and exits. **The drill shall include the actual use thereof, and the complete removal of the pupils and teachers,** in an expeditious and orderly manner, by means of fire-escapes and exits, from the building to a place of safety on the grounds outside.” (Emphases added.) See 24 P.S. § 15-1517(a) (as amended by Act 55 of 2017, effective November 6, 2017).

Our review of the District’s fire and security drill data found that the District failed to either conduct and/or accurately report all of their required monthly **fire drills** at all 15 of the District’s school buildings in the 2018-19 and 2019-20 school years, as required by the PSC.¹⁵ Our review also disclosed that the District was unable to provide documentation supporting its compliance with the PSC requirement to conduct a **security drill** in all school buildings during the first 90 days of the 2018-19 school year.¹⁶ Lastly, we found that the District’s Superintendent inappropriately attested to the accuracy of the drill data recorded in the annual report and certification statements required to be submitted to PDE for both school years.

Reporting Requirements

As detailed in the criteria box, the PSC requires that each school building perform a fire drill each and every month while school is in session. The PSC further mandates that each school also conduct a security drill within the first 90 days of the school year, which can take the place of a fire drill for that month. According to the PSC, districts are permitted to substitute a maximum of two additional security drills in place of two monthly fire drills after the first 90 days of the school year. Both fire and security drill data must be reported annually to PDE through the *Fire Evacuation and Security Drill Accuracy Certification Statement (ACS)* report.

In an effort to help prepare students and staff for potential emergency situations, the mandatory fire and security drill requirements of the PSC should be closely followed by all school entities across the Commonwealth.

Noncompliance with Fire and Security Drill Requirements

To determine compliance with drill requirements, we requested and reviewed the 2018-19 and 2019-20 school years fire and security drill data reported to PDE for the District’s 15 school buildings, along with supporting documentation to evidence the reported drills. We reviewed the months of September 2018 through May 2019 and September 2019 through February 2020 since drills are required to be conducted

¹⁵ 24 P.S. § 15-1517(a) (as amended by Act 55 of 2017, effective November 6, 2017).

¹⁶ 24 P.S. § 15-1517(a.1) (as last amended by Act 39 of 2018, effective July 1, 2018).

*Criteria relevant to the finding
(continued):*

Section 1517(a.1) of the PSC requires:

“Within ninety (90) days of the commencement of the school year after the effective date of this subsection and within ninety (90) days of the commencement of each school year thereafter, each school entity shall conduct one school security drill per school year in each school building in place of a fire drill required under subsection (a). After ninety (90) days from the commencement of each school year, each school entity may conduct two school security drills per school year in each school building in place of two fire drills required under subsection (a).” See 24 P.S. § 15-1517(a.1) (as last amended by Act 39 of 2018, effective July 1, 2018).

Further, Sections 1517(b) and (e) of the PSC also require:

“(b) Chief school administrators are hereby required to see that the provisions of this section are faithfully carried out in the school entities over which they have charge.”

“(e) On or before the tenth day of April of each year, each chief school administrator shall certify to the Department of Education that the emergency evacuation drills and school security drills herein required have been conducted in accordance with this section.” See 24 P.S. § 15-1517(b) and (e) (as last amended by Act 55 of 2017, effective November 6, 2017).

with students and staff present.¹⁷

Overall, our review found that the District did not comply with all fire and security drill requirements. We found missed drills, inaccurately reported drills, and a lack of supporting documentation, as further described below.

Missed and Inaccurately Reported Fire Drills

We found that the District failed to conduct and/or inaccurately reported fire drills for 14 of 15 school buildings during the 2018-19 school year and 12 of 15 buildings during the 2019-20 school year. In 2018-19, the majority of the 15 schools with fire drill deficiencies missed two or more monthly drills. In the 2019-20 school year, a majority missed one or more required fire drills.

Missed and Inaccurately Reported Security Drills

The District failed to either properly conduct and/or report security drills for all 15 school buildings in the 2018-19 school year. While the District provided evidence that all of the District’s schools in 2018-19 conducted a security drill at some point during the school year, we found that some drills were not conducted timely and some drill dates on the documentation provided did not match the dates recorded on the ACS report. We also found some instances where the documentation was insufficient to verify that the security drills occurred.

For the 2019-20 school year, we noted improvement in the District’s compliance with security drill requirements, based on the number of schools reporting a security drill being conducted within the first 90 calendar days. However, we found that 11 of the 15 schools did not provide sufficient documentation to evidence that the drill occurred or there was a discrepancy between the date provided on the documentation and the date reported to PDE. Within the first 90 calendar days, 4 of the 15 schools had security drills that were accurately documented and reported to PDE.

Inconsistent Reporting

As part of our review, we compared the ACS report to other available supporting documentation such as drill reports and school calendars to determine the accuracy of the data reported. Our review of documentation revealed a variety of inconsistencies and errors, such as:

- Insufficient documentation to verify that reported drills occurred.
- Drills were conducted but not accurately reported on the ACS report.

¹⁷ Drills were not required for March, April, and May 2020 due to the mandatory, statewide closing of schools because of the COVID-19 pandemic.

*Criteria relevant to the finding
(continued):*

Fire Drill Accuracy Certification Statements must be electronically submitted to PDE by July 31 following the end of a school year. Within two weeks of the electronic PIMS submission, a printed, signed original must be sent to PDE's Office for Safe Schools.

The 2018-19 and 2019-20 *Fire Evacuation and Security Drill Accuracy Certification Statement* that the chief school administrator was required to sign and file with PDE states, in part:

"I acknowledge that 24 PS 15-1517 requires that... fire drills shall be periodically conducted, not less than one a month...under rules and regulations to be promulgated by the district superintendent under whose supervision such schools are... District superintendents are hereby required to see that the provisions of this section are faithfully carried out in the schools over which they have charge. I certify that drills were conducted in accordance with 24 PS 15-1517 and that information provided on the files and summarized on the above School Safety Report is correct and true to the best of my knowledge"

It is critical that the District's fire and security drill records be complete and accurate. Failure to do so calls into question the veracity of the District's ACS report submission to PDE.

The PSC requires the chief school administrator to ensure that all requirements of Section 1517 of the PSC are "faithfully carried out in the schools over which they have charge."¹⁸ Given the concerns noted in the reporting of both fire and security drills, it is evident that the Superintendent did not fulfill this mandate.

Failure to Implement Standard Reporting Procedures

We found that the District did not have standard reporting procedures to document the fire and security drills it conducted and to report this information to PDE. The lack of procedures contributed to instances of miscommunication between District officials regarding the notification of when fire and security drills were conducted. We also determined that the District did not assign a staff member the responsibility of reviewing the annual ACS report for accuracy and completeness prior to having the Superintendent sign the ACS and submitting it to PDE. The District also failed to assign any employee with the responsibility of ensuring that individual schools were conducting the required drills and accurately reporting the drill data to administration.

The District was aware of the importance of conducting these drills. We noted that on August 28, 2019, District administration sent an email to all school principals detailing fire and security drill requirements and emphasizing the importance of these drills. While we found that compliance improved during the 2019-20 school year from the prior year, it appears that the majority of the schools' officials did not comply with the administration's directions regarding drills.

District officials attributed its noncompliance to a general lack of cooperation from the schools and lack of enforceable standard procedures.

Conclusion

In conclusion, it is vitally important that the District's students and staff regularly participate in fire and security drills as required by the PSC throughout the school year. Further, it is essential that the District accurately report fire and security drill data to PDE pursuant to PDE's reporting requirements and guidance, and that the data has been double-checked for accuracy by knowledgeable personnel.

¹⁸ 24 P.S. § 15-1517(b).

Recommendations

The *Erie City School District* should:

1. Conduct security and fire drills in compliance with the PSC requirements for all future school years.
2. Establish district-wide procedures and oversight related to conducting, recording, and reporting drill data, including building specific requirements aimed at holding each building principal responsible for drills.
3. Consider assigning a staff member from the administration to follow-up mid-month on required drill completion as a way to monitor monthly compliance in the individual schools.
4. Require building principals and other senior administrative personnel to review drill data for completeness and accuracy before submitting the ACS report to PDE.
5. Ensure all personnel responsible for completing and submitting ACS reports are trained on PDE's reporting requirements and guidance.
6. Verify that the Chief School Administrator is aware of his/her fire and security drill obligations and certification statement requirements.

Management Response

District management agreed with the finding and provided the following response:

“The district agrees with the Auditor General's finding regarding Monthly Fire Drills and Annual Security Drills. As detailed in the report the inconsistencies found in the fire and security drills stemmed from a lack of standardized practices for reporting. The Auditor General's recommendation to establish District-wide procedures and oversight has already been implemented. All building principals have been trained on fire drill procedures and are using the same documents for reporting. In addition, the district will be assigning an administrator to oversee district safety and security issues, including safety drills.”

Auditor Conclusion

We are encouraged that the District is taking appropriate corrective actions to implement our recommendations including improving controls over the reporting of fire and security drills. We will evaluate the effectiveness of its corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Erie City School District (District) released on December 14, 2015, resulted in four 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 reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on December 14, 2015

Prior Finding No. 1: The District's Persistent Annual Operating Deficits Have Not Been Cured by Short-Term Financial Maneuvers

Prior Finding Summary: For fiscal years 2009 through 2014, our prior audit found the District had an overall deteriorating General Fund balance ending in a \$4.7 million deficit for fiscal year ending June 30, 2014. The District had General Fund deficits for four of the last six fiscal years.

Prior Recommendations: We recommended that the District should:

1. Develop a short-term (one-to-three years) operating plan to identify and address the structural elements that are leading to annual operating deficits. This plan must, at a minimum, annually balance operating expenditures with operating revenues.
2. Establish procedures to make appropriate periodic journal entries, as well as year-end adjustments, in order to properly and timely account for all transactions and provide the Board of School Directors (Board) with complete and accurate financial information. If necessary, it should seek assistance from outside professional accountants.
3. Obtain in a timely manner, and maintain as part of wage documentation records, the Public School Employees' Retirement System (PSERS) Act 29 reports and any other wage documentation required to verify the District received the correct amount of social security and retirement reimbursements.

Current Status: We found the District implemented two of our three recommendations and significantly increased its General Fund balance since our prior audit. The District implemented our first recommendation with assistance from a financial management agent by developing a five-year financial plan. This plan began in the 2018-19 fiscal year and helped the District address its structural elements that were cited as a cause for the District's deteriorating General Fund balance. The District obtained additional revenue from the Commonwealth and was able to stabilize expenditures which contributed to the District steadily increasing its General Fund balance. The District's General Fund balance increased from negative **\$67,050** on July 1, 2017 to \$8.1 million on July 1, 2018 and further increased to \$20.2 million by July 1, 2019.

We found that the District implemented our second recommendation. The District worked with its financial management agent to establish year-end accounting procedures that helped to ensure that journal entries and year-end adjustments are completed on a timely basis. These procedures also contributed to more timely and accurate financial information being presented to the Board. The District acknowledged that timely and accurate financial information being shared with the Board has helped the District improve its financial position.

We found that the District has not implemented our third recommendation and continues to not have adequate internal controls over the process of timely obtaining Act 29 reports and other wage documentation to ensure that the District is receiving accurate Social Security and retirement reimbursements. The District failed to consistently obtain quarterly salary reports. Without these quarterly salary reports, the District is unable to complete a review to ensure that it received the correct amount of Social Security and retirement reimbursements on a quarterly basis. We again recommended that the District timely obtain and review the PSERS Act 29 reports and other any other wage documentation to verify the accuracy of its reimbursements from PDE.

Prior Finding No. 2: The District’s Poor Internal Controls Over Transportation Data for Services Provided to Nonpublic and Charter School Students Resulted in an Underpayment of Nearly \$275,000

Prior Finding Summary: In our prior audit, the District continued to fail to properly account for transportation operations related to nonpublic and charter school students. Our audit found significant errors in the District’s transportation reporting to PDE that resulted in a potential underpayment of \$272,965.

Prior Recommendations: We recommended that the District should:

1. Establish detailed, written procedures to ensure the number of nonpublic and charter school students are accurately recorded, reconciled, reviewed, and reported to PDE.
2. Review reports already submitted for the 2013-14 and 2014-15 school years for accuracy and, if errors are found, submit revisions to PDE.

Current Status: We found the District partially implemented our first recommendation and fully implemented our second recommendation. The District implemented procedures for reporting nonpublic school and charter school data to PDE. However, these procedures did not address how to correctly categorize, record, and review these students to ensure that the number of nonpublic and charter school students are accurate prior to reporting this data to PDE.

The District did review the transportation reports submitted for the 2013-14 and 2014-15 school years. On December 21, 2015, the District submitted revised reports to PDE for the 2013-14 and 2014-15 school years. Based on the revised data, the District received additional supplemental transportation reimbursements in the

amounts of \$81,620 and \$180,000 for the 2013-14 and 2014-15 school years on February 23, 2017 and February 27, 2020, respectively.

Prior Finding No. 3: The District Provided More Than 100 Cell Phones to Employees, School Board Members, Consultants, and Others Without Policies and Procedures in Place to Monitor Usage and Increasing Costs

Prior Finding Summary: Our prior audit noted that for the four-year period, 2011-12 through 2014-15, the District paid for more than 100 cell phones issued to employees, the Board, a consultant, a solicitor, and two retired employees. The District did not have policies and procedures to govern the assignment and usage of district-paid cell phones or to monitor the corresponding usage and costs. The District also failed to require employees and others to sign user agreements, which typically restrict the use of government property. Furthermore, our audit found that many cell phones were provided with authorization for unlimited personal use.

Prior Recommendations: We recommended that the District should:

1. Immediately develop and implement board-approved cell phone policies to address the following, at a minimum:
 - a. The use of District cell phones by the Board, current employees, retired employees, terminated employees, and consultants.
 - b. Roaming, data, long-distance, and other charges.
 - c. Personal use restrictions.
 - d. A requirement of every recipient of a District cell phone to sign a user agreement so that the District has remedies it can enforce in the event of misuse of the cell phones.
2. Implement oversight procedures so that cell phone costs and usage are monitored on a monthly basis. It should also review cell phone plan features on all of its currently issued cell phones to ensure that those features are necessary.

Current Status: We found the District partially implemented our first recommendation and fully implemented our second recommendation. On October 27, 2018, the Board adopted Policy No. 717 for the use of district-issued cell phones. The policy includes a list of staff members, by position, who may be assigned a District cell phone. The policy notes that any charges incurred for roaming or international calls or texts without prior approval or when travelling on personal business shall be the responsibility of the employee. While the policy does not include the requirement of having signed user agreements, it does outline the employees' responsibilities.

The policy also outlines the District's responsibility to monitor the program by noting that the Purchasing Department in conjunction with the Information Technology Director will conduct random reviews of usage and charges to verify that the cell phone policies and procedures are being followed. The District has implemented a monitoring process to help ensure that all District provided cell phones are being used in compliance with District Policy No. 717.

Prior Finding No. 4: The District Disregarded Regulations Pertaining to the Rehiring of Annuitants and Failed to Document the Exceptions Allowing Them to Work for the District, Several for at Least Eight Consecutive Years

Prior Finding Summary: Our prior audit found that between 2008 and 2013 the District compensated 46 rehired retirees, an average of 29 retirees per year. Many returned to work for the District for three or more consecutive years, in possible noncompliance with the Public School Employees' Retirement Code (PSERC) and its related guidelines.

Prior Recommendations: We recommended that the District should:

1. Consult with its solicitor and work with PSERS to develop an appropriate course of action for annuitants currently employed by the District.
2. Develop and implement board-approved policies and procedures to address rehiring of annuitants and compliance with all applicable provisions of the PSERC and PSERS guidelines. These procedures should include review and reporting requirements so that the Board and the public are informed of the allowable exceptions and contract terms applicable to all annuitants rehired by the District.

Current Status: We found the District implemented our first recommendation and partially implemented our second recommendation. The District implemented a process to monitor the hiring of retirees. Each year, the District sends a letter to PSERS requesting emergency substitute approval. The District implemented their process beginning with the 2019-20 school year. We obtained a copy of PSERS approval of the annuitant substitutes for the 2019-20 and 2020-21 school years. We found all annuitants approved by PSERS were recorded on the Board's approved listing of substitutes for the 2019-20 and 2020-21 school years. Our review also found that the District has an independent contractor agreement that notes that if the independent contractor was a former District employee, this former employee agrees to waive all retirement benefits from PSERS that could arise from the service performed under their agreement.

While the District does have procedures to address the hiring of annuitants and the Board is involved in the approval of these annuitants as substitutes or independent contractors, the District does not have an approved board policy concerning its use of annuitants.

Appendix A: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹⁹ 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.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Transportation Operations, Administrator Separations, Bus Driver Requirements, Professional Certifications, and School Safety, including fire and security drills. The audit objectives supporting these areas of focus are explained in the context of our methodology to achieve the objectives in the next section. Overall, our audit covered the period July 1, 2015 through June 30, 2019. The scope of each individual objective is also detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal control to provide reasonable assurance that the District's objectives will be achieved.²⁰ *Standards for Internal Control in the Federal Government* (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. The Department of the Auditor General used the Green Book as the internal control analysis framework during the conduct of our audit.²¹ The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow in establishing an effective system of internal control. We illustrate the five components and their underlying principles in Figure 1 on the following page.

¹⁹ 72 P.S. §§ 402 and 403.

²⁰ District objectives can be broadly classified into one or more of the following areas: effectiveness of operations; reliability of reporting for internal and external use; and compliance with applicable laws and regulations, more specifically in the District, referring to certain relevant state laws, regulations, contracts, and administrative procedures.

²¹ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

Figure 1: Green Book Hierarchical Framework of Internal Control Standards

Principle	Description
Control Environment	
1	Demonstrate commitment to integrity and ethical values
2	Exercise oversight responsibility
3	Establish structure, responsibility, and authority
4	Demonstrate commitment to competence
5	Enforce accountability
Risk Assessment	
6	Define objectives and risk tolerances
7	Identify, analyze, and respond to risks
8	Assess fraud risk
9	Identify, analyze, and respond to change

Principle	Description
Control Activities	
10	Design control activities
11	Design activities for the information system
12	Implement control activities
Information and Communication	
13	Use quality information
14	Communicate internally
15	Communicate externally
Monitoring	
16	Perform monitoring activities
17	Evaluate issues and remediate deficiencies

In compliance with generally accepted government auditing standards, we must determine whether internal control is significant to our audit objectives. We base our determination of significance on whether an entity's internal control impacts our audit conclusion(s). If some, but not all, internal control components are significant to the audit objectives, we must identify those internal control components and underlying principles that are significant to the audit objectives.

In planning our audit, we obtained a general understanding of the District's control environment. In performing our audit, we obtained an understanding of the District's internal control sufficient to identify and assess the internal control significant within the context of the audit objectives. Figure 2 represents a summary of the internal control components and underlying principles that we identified as significant to the overall control environment and the specific audit objectives (denoted by an "X").

Figure 2 – Internal Control Components and Principles Identified as Significant

	Internal Control Significant ?	Control Environment					Risk Assessment				Control Activities			Information and Communication			Monitoring	
Principle →		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
General/overall	Yes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
Transportation	Yes				X			X	X		X		X	X	X	X	X	
Bus Drivers	Yes										X		X			X	X	
Administrator Separations	Yes										X				X			
Professional Certification	Yes							X	X				X		X		X	
Safe Schools	No																	

With respect to the principles identified, we evaluated the internal control(s) deemed significant within the context of our audit objectives and assessed those controls to the extent necessary to address our audit objectives. The results of our evaluation and assessment of the District's internal control for each objective is discussed in the following section.

Objectives/Scope/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2015 through June 30, 2019 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. 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 effectiveness in four areas as described below. As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives.

Transportation Operations

- 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?²²
- ✓ To address this objective, we assessed the District's internal controls for obtaining, processing, and reporting transportation data to PDE. We requested the required supporting documentation needed to verify the accuracy of the mileage and student data reported to PDE for all 207 district-owned and contractor vehicles used to transport students during the 2015-16 school year. However, the District could not provide the requested data for these vehicles. Additionally, we requested information to verify the accuracy of all 1,721 students reported to PDE as eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined hazardous walking route. The District was unable to provide individual student addresses nor PennDOT determined hazardous walking route documentation; therefore, we could not verify the accuracy of the reported data.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to obtaining, reviewing, and maintaining documentation to support the transportation data reported to PDE. Those results are detailed in the Finding No. 1 of this audit report.

- ✓ We also assessed the District's internal controls for obtaining, processing, and reporting nonpublic and charter school student data to PDE. We randomly selected for review 60 of 707 nonpublic school and charter school students transported by the Erie Metropolitan Transit Authority (EMTA) in the 2017-18 school year and 60 of 716 nonpublic school and charter school students transported

²² See 24 P.S. § 25-2541(a).

by EMTA in the 2018-19 school year.²³ We verified that each student selected met the requirements to be reported as a nonpublic or charter school student.

Conclusion: The results of our procedures did not identify any reportable issues; however, we did identify internal control deficiencies that were not significant to our objective but warranted the attention of the District. These deficiencies were communicated to District management and those charged with governance for their consideration.

Administrator Separations

- Did the District provide any individually contracted employees with excessive payments upon separation of employment? Did the District ensure all payroll wages reported to the Public School Employees' Retirement System (PSERS) were appropriate and accurate?
- ✓ To address this objective, we assessed the District's internal controls over the process to determine final payouts for administrator separations. We reviewed employment contracts, leave records, and payroll records for all three contracted and one non-contracted administrator who separated from the District during the period of July 1, 2015 through June 30, 2020. We reviewed the final payouts to determine if the administrators were compensated in accordance with their contracts. We verified that leave payouts were not reported as eligible wages to PSERS. We verified that the Board complied with Section 508 of the Public School Code by voting to approve each administrator's separation from employment by the District.

Conclusion: The results of this portion of the objective did not identify any reportable issues; however, we did identify internal control deficiencies that were not significant to our objective but warranted the attention of the District. These deficiencies were communicated to District management and those charged with governance for their consideration.

- ✓ During our review of individual employment contracts and the District's Act 93 agreements, we identified a benefit provision whereby the District provides a cash payment to a former employee's estate after the death of the employee. We assessed the District's internal controls over the eligibility, payment, and monitoring of this benefit. We interviewed current District officials to obtain an understanding of the District's process. We also obtained the District's eligibility and monitoring spreadsheet that listed the names of former employees who the District determined was eligible for this benefit. We randomly selected 60 of the 1,441 former employees listed on the spreadsheet for detailed testing.²⁴ We determined if the District had a completed *Death Benefit Nomination of Beneficiary Form* for each individual tested and that the District had documented eligibility evidence for each individual.

Conclusion: The results of this portion of the objective identified areas of noncompliance and significant internal control deficiencies related to the eligibility and payment of this benefit. Our results are detailed in Finding No. 2 of this report.

²³ While representative selection is a required factor of audit sampling methodologies, audit sampling 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.

²⁴ While representative selection is a required factor of audit sampling methodologies, audit sampling 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.

Bus Driver Requirements

- Did the District ensure that all bus drivers transporting District students are Board approved and had the required driver's license, physical exam, training, background checks, and clearances²⁵ as outlined in applicable laws?²⁶ Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
- ✓ To address this objective, we assessed the District's internal controls for maintaining and reviewing required driver qualification documents and procedures for being made aware of who transported students daily. The District utilizes both its own vehicle fleet and drivers as well as contractors to provide transportation services to its students. We determined if all drivers (district-employed and contracted) were approved by the Board of School Directors. For the district-employed drivers, we tested all 28 of its drivers transporting students as of March 9, 2020 to determine if they had all required credentials and clearances.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to obtaining, maintaining, reviewing, and monitoring bus driver qualification requirements. Our results are detailed in Finding No. 3 of this report.

Professional Certification

- Did the District ensure that all certificated personnel were properly qualified in accordance with laws and regulations and that ongoing five-year clearance requirements are maintained, updated, and monitored throughout the school year?
- ✓ To address this objective, we assessed the District's internal controls to determine if they obtain, retain, and review professional personnel certifications for all employees who are required to have them. We obtained the professional personnel listing for the 2019-20 school year and compared it to the personnel staff rosters from each building to verify that all professional staff have been identified. We then tested 60 of the 414 certified personnel assigned to the five secondary school buildings on the professional personnel listing.²⁷ In our testing of the 60 staff members, we reviewed administrative and secondary level professional personnel certifications using the PDE Educators website to determine if each certificate is permanent or temporary. When a temporary certification was identified, we reviewed the individual's work history to ensure the certificate was valid and had not lapsed. We then compared the professional personnel assignments from the building rosters to the professional personnel certifications to ensure that all educators were properly certified for their assignments. We also reviewed background clearances for the 60 certified employees selected for testing.

Conclusion: The results of our procedures for this portion of the objective identified areas of noncompliance and internal control deficiencies, which are detailed in Finding No. 4 of this report.

²⁵ Auditors reviewed the required state, federal, and child abuse background clearances that the District obtained 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.

²⁶ PSC 24 P.S. § 1-111, CPSL 23 Pa.C.S. § 6344(a.1), PSC (Educator Discipline) 24 P.S. § 2070.1a *et seq.*, State Vehicle Code 75 Pa.C.S. §§ 1508.1 and 1509, and State Board of Education's regulations 22 *Pa. Code Chapter 8*.

²⁷ While representative selection is a required factor of audit sampling methodologies, audit sampling 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.

School Safety

- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding with local law enforcement?²⁸ Also, did the District follow best practices related to physical building security and providing a safe school environment?
- ✓ To address this objective, we reviewed a variety of documentation including safety plans, risk and vulnerability assessments, anti-bullying measures, school climate surveys, and memorandums of understanding with local law enforcement.

Conclusion: Due to the sensitive nature of school safety, the results of our review for this portion of the objective are not described in our audit report, but they were shared with District officials, PDE's Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?²⁹ Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?
- ✓ To address this objective, we obtained and reviewed the fire and security drill records for all 15 of the District's school buildings to determine whether drills were conducted as required for the 2018-19 and 2019-20 school years. We determined if a security drill was held within the first 90 days of the school year for each building in the District and if monthly fire drills were conducted in accordance with requirements. We also obtained the Accuracy Certification Statement forms that the District filed with PDE and compared the dates reported to the supporting documentation.

Conclusion: The results of our procedures for this portion of the objective identified areas of noncompliance, which are detailed in Finding No. 5 of this report.

²⁸ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

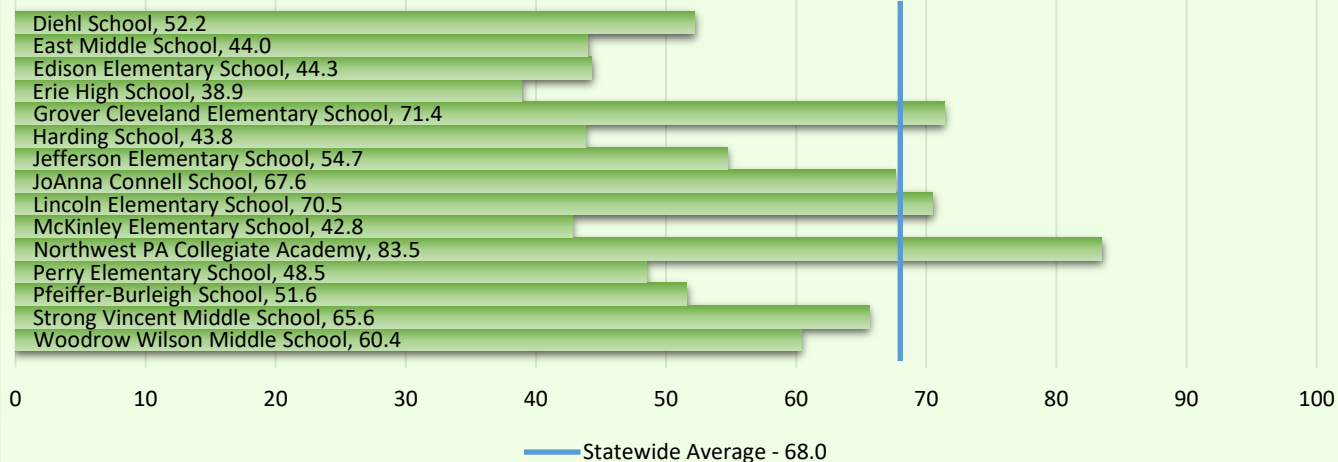
²⁹ Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

Appendix B: Academic Detail

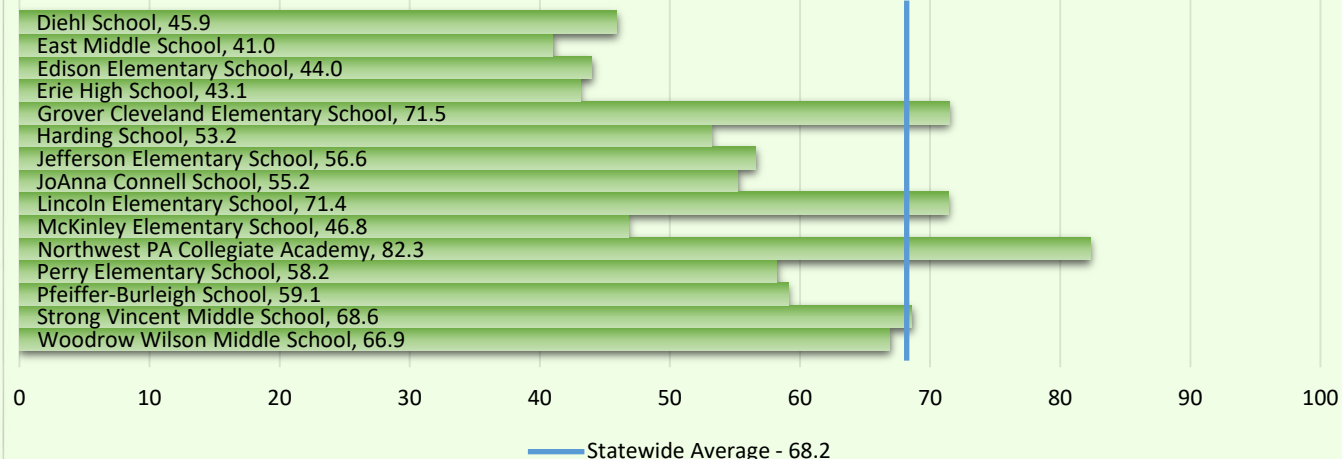
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.³⁰ Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.³¹

SPP School Scores Compared to Statewide Averages

2018-19



2017-18

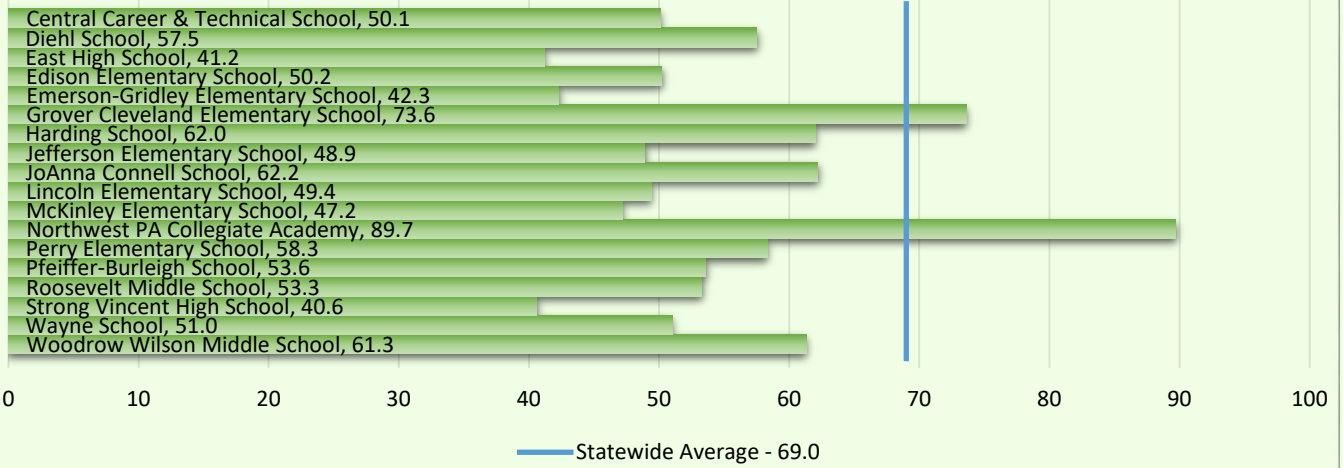


³⁰ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

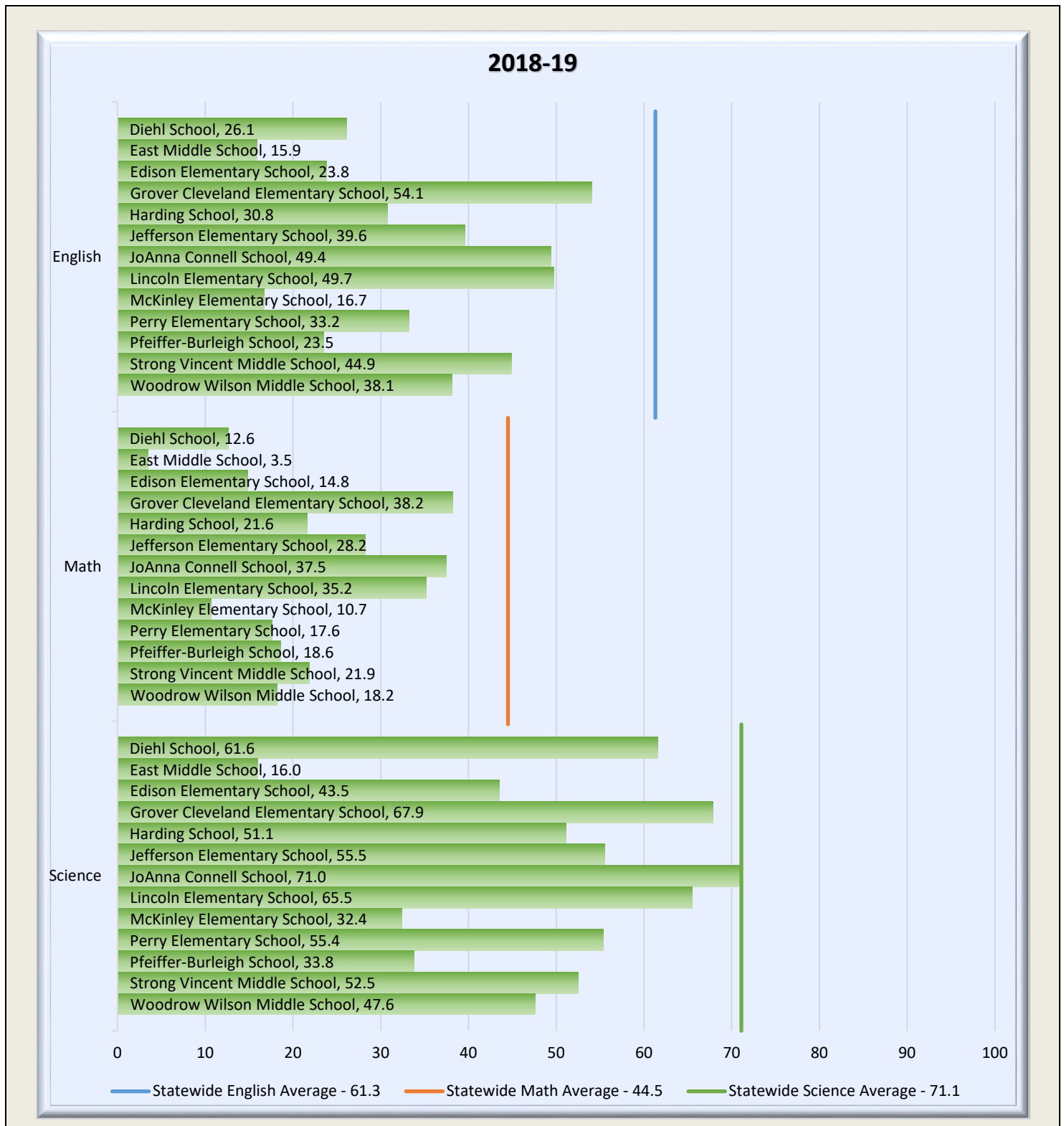
³¹ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

SPP School Scores Compared to Statewide Averages (continued)

2016-17

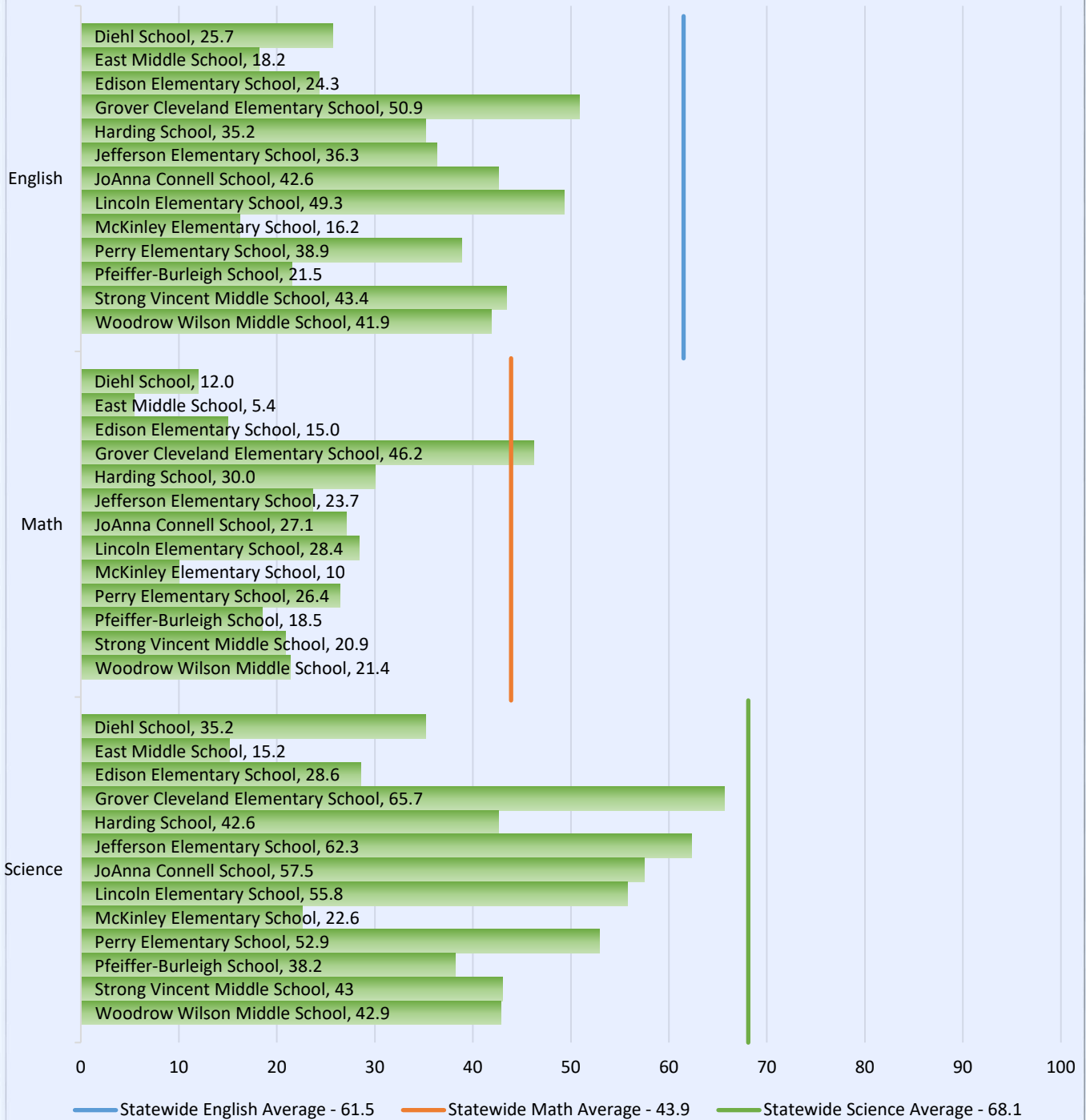


PSSA Advanced or Proficient Percentage School Scores Compared to Statewide Averages



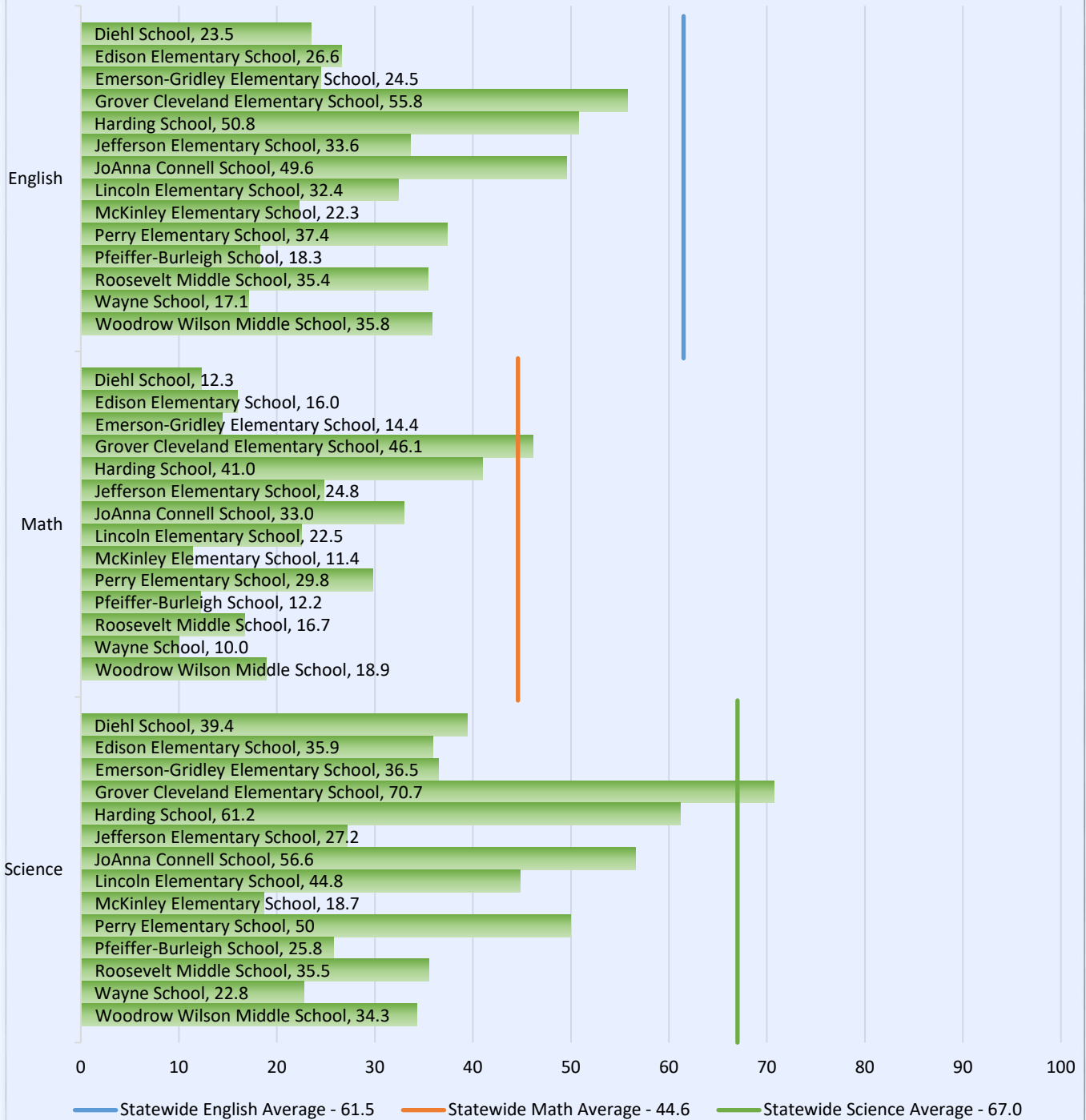
**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

2017-18



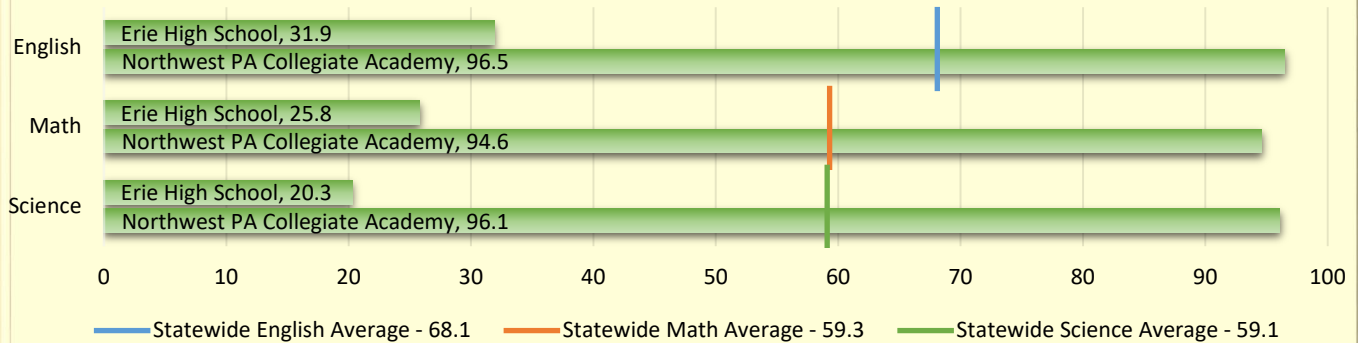
**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

2016-17

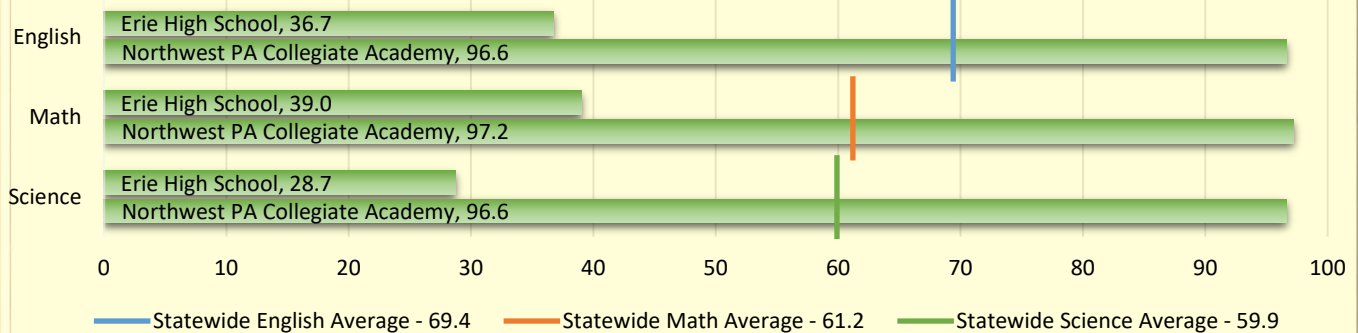


Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

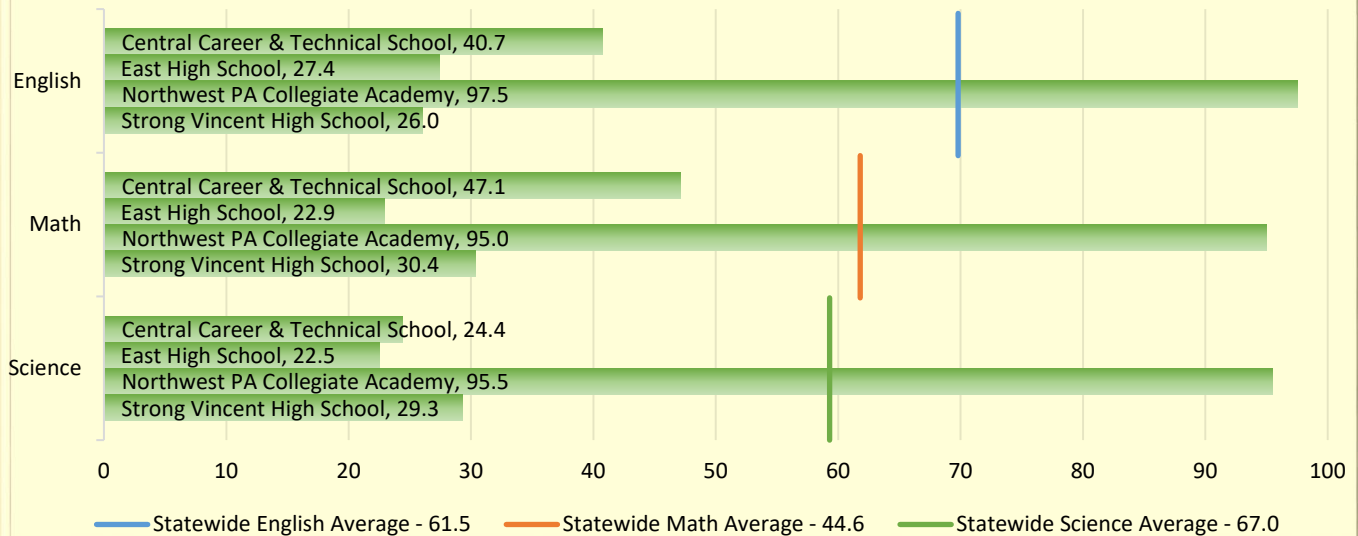
2018-19



2017-18



2016-17



Distribution List

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

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