

PERFORMANCE AUDIT

Fannett-Metal School District Franklin 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. David A. Burkett, Superintendent
Fannett-Metal School District
14823 Path Valley Road, P.O. Box 91
Willow Hill, Pennsylvania 17271

Ms. Sue Rosenberry, Board President
Fannett-Metal School District
14823 Path Valley Road, P.O. Box 91
Willow Hill, Pennsylvania 17271

Dear Mr. Burkett and Ms. Rosenberry:

We have conducted a performance audit of the Fannett-Metal 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:

- Nonresident Student Data
- Bus Driver Requirements
- Transportation Operations
- Administrator Separations

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 nonresident student data and bus driver requirements. These deficiencies are detailed in the findings in this report. A summary of the results is presented in the Executive Summary section of this report.

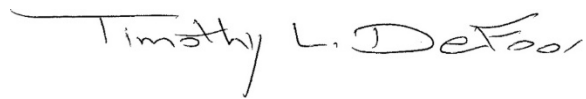
Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and other relevant requirements.

We found that the District performed adequately in the areas of transportation operations and administrator separations and no significant internal control deficiencies were identified in these objectives.

Mr. David A. Burkett
Ms. Sue Rosenberry
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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 long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

June 25, 2021

cc: **FANNETT-METAL 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 Fannett-Metal 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.

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 that the District applied best practices and complied, in all significant respects, with certain relevant state laws, regulations, contracts, and administrative procedures, except for the areas of noncompliance and internal control deficiencies we detail in the two findings in this report.

Finding No. 1: The District's Failure to Implement Adequate Internal Controls Led to Inaccurate Nonresident Student Data Reported to the Pennsylvania Department of Education Resulting in an Overpayment of \$9,142.

We found that the District failed to implement adequate internal controls over the categorization and reporting of nonresident student data resulting in a \$9,142 overpayment from the Pennsylvania Department of Education. This overpayment was caused by the District inaccurately reporting the number of nonresident foster students educated by the District during the 2016-17 and 2018-19 school years (see page 7).

Finding No. 2: The District Did Not Implement Adequate Internal Controls To Ensure Compliance with Driver Qualification and Clearance Requirements.

We found that the District did not implement sufficient internal controls to meet its statutory obligations under the Public School Code and associated regulations related to the employment of individuals having direct contact with students. Our review found that the District's Board of School Directors approved drivers before obtaining all required documentation, and the District did not adequately maintain, review, and monitor contracted driver records. Further, the District was not following its Board approved transportation policies and transportation contracts, which required the contractors to provide all necessary documentation to the District (see page 11).

Status of Prior Audit Findings and Observations.

There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2019-20 School Year*	
Counties	Franklin and Perry
Total Square Miles	210
Number of School Buildings	3
Total Teachers	41
Total Full or Part-Time Support Staff	22
Total Administrators	4
Total Enrollment for Most Recent School Year	412
Intermediate Unit Number	12
District Career and Technical School	Franklin County Career and Technical Center

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

Mission Statement*

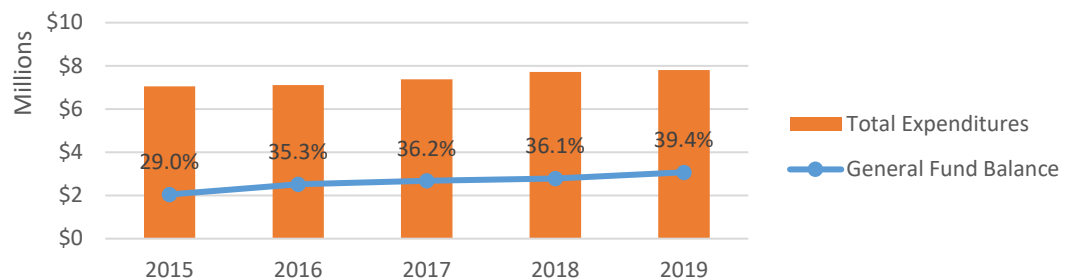
In a safe and supporting environment, educate and empower all students to reach their personal and professional goals.

Financial Information

The following pages contain financial information about the Fannett-Metal 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**.

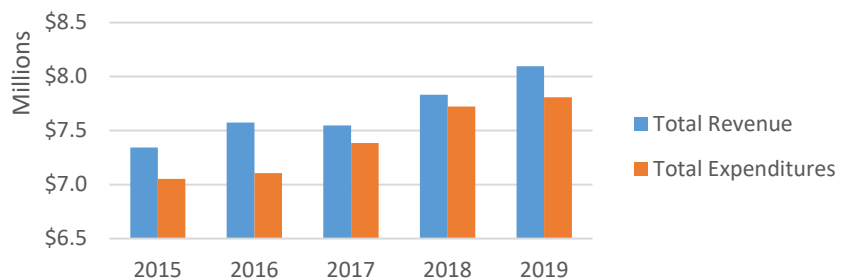
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2015	\$2,045,041
2016	\$2,511,834
2017	\$2,674,109
2018	\$2,785,704
2019	\$3,072,879



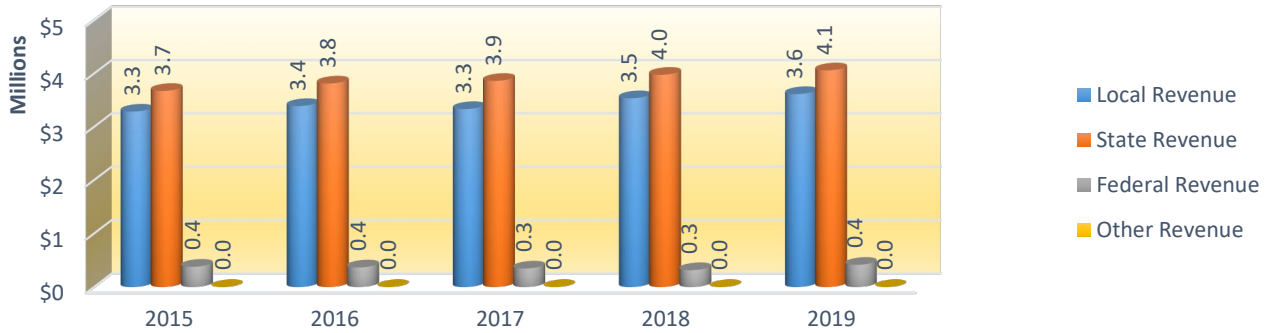
Revenues and Expenditures

	Total Revenue	Total Expenditures
2015	\$7,342,830	\$7,051,442
2016	\$7,574,188	\$7,107,394
2017	\$7,546,239	\$7,383,963
2018	\$7,833,358	\$7,721,763
2019	\$8,094,693	\$7,807,518

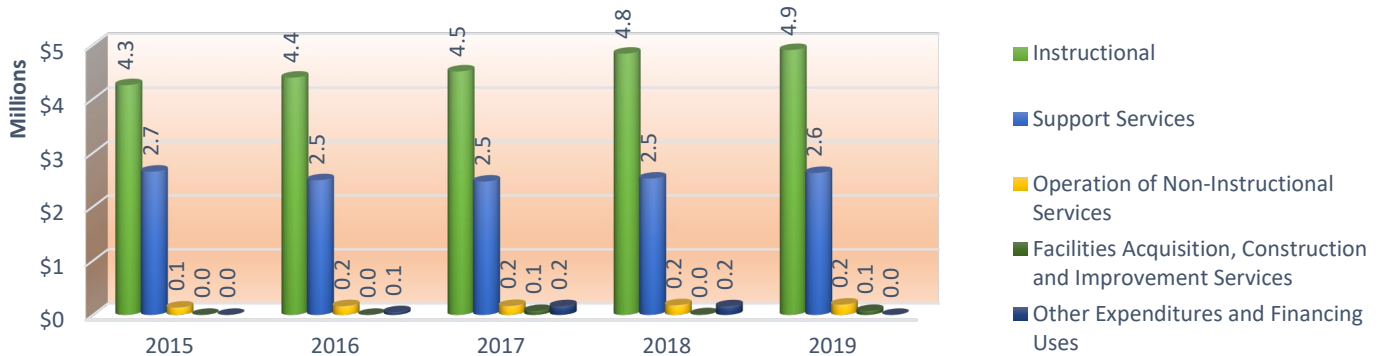


Financial Information Continued

Revenues by Source

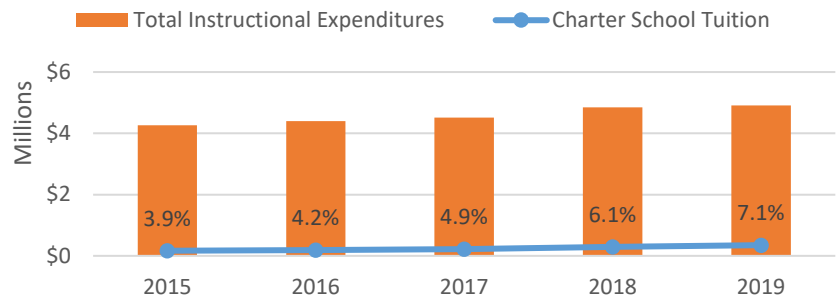


Expenditures by Function

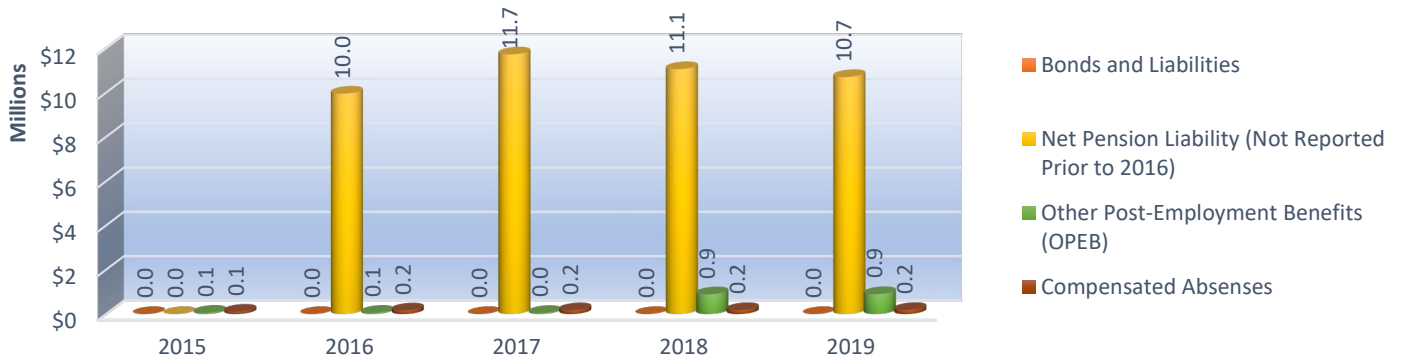


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2015	\$166,718	\$4,260,962
2016	\$183,862	\$4,399,770
2017	\$221,020	\$4,515,134
2018	\$293,922	\$4,844,981
2019	\$349,150	\$4,912,877



Long-Term Debt

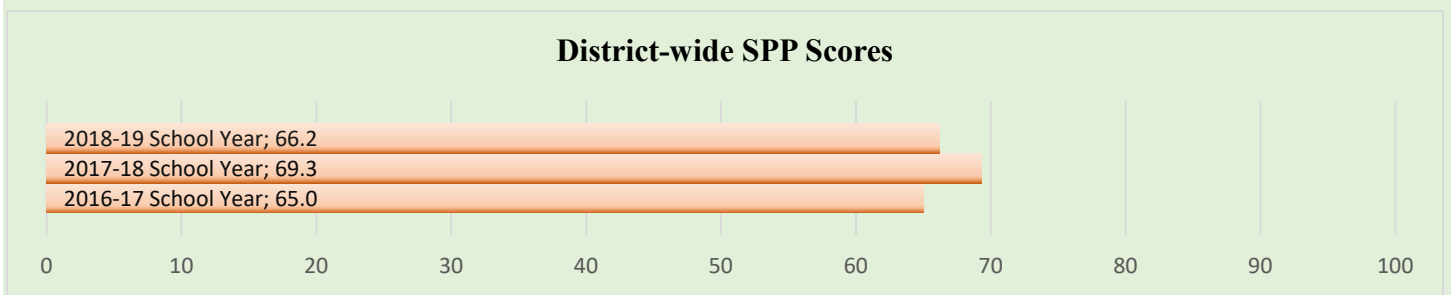


Academic Information

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 publicly available website.

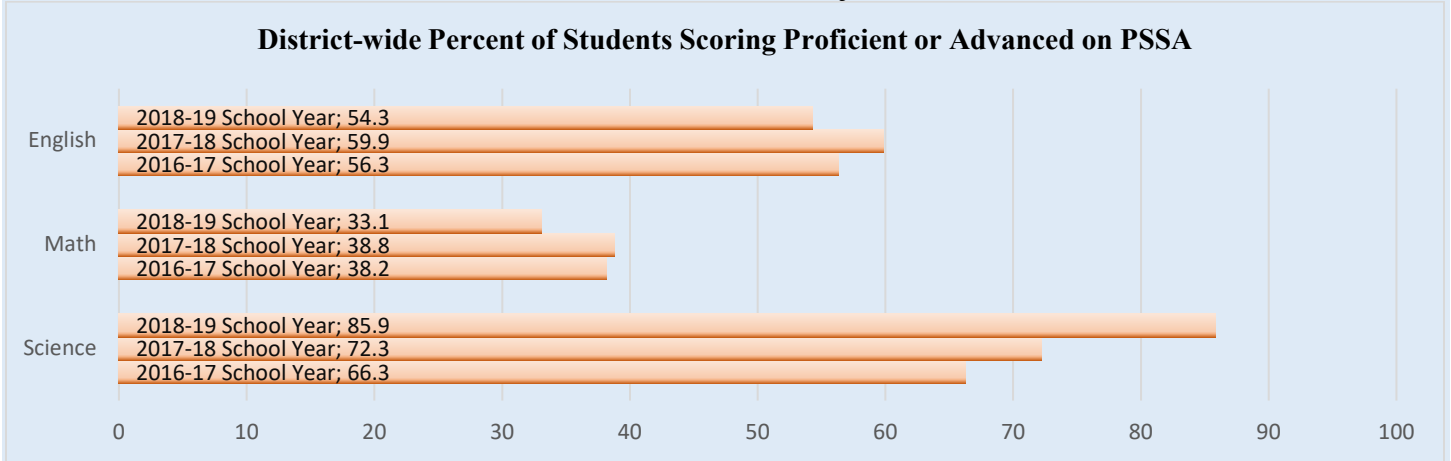
² PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE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

Academic Information Continued

What is the PSSA?

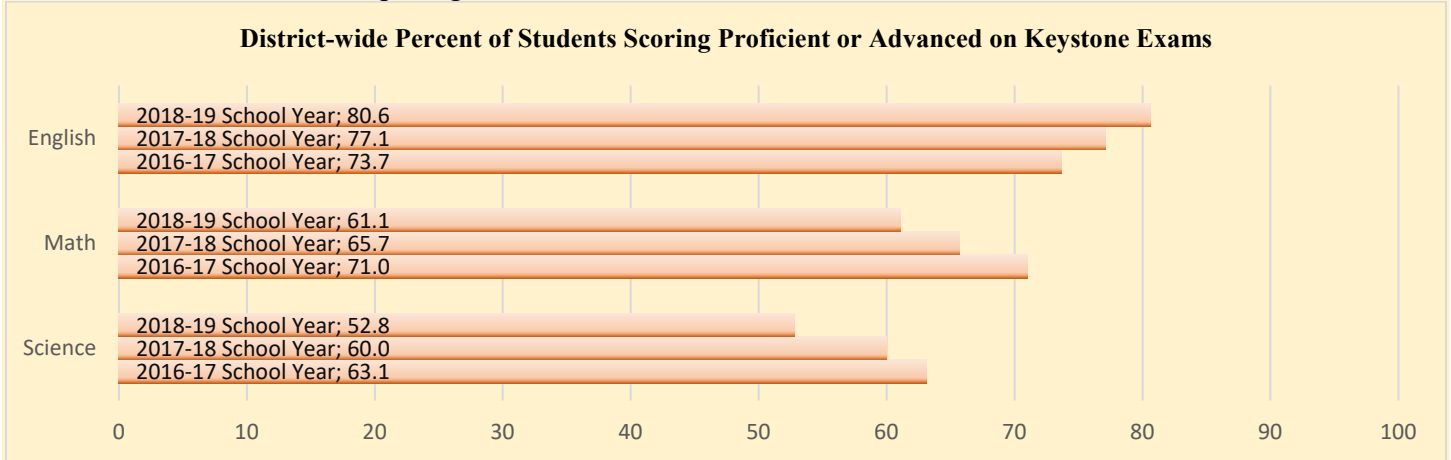
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.

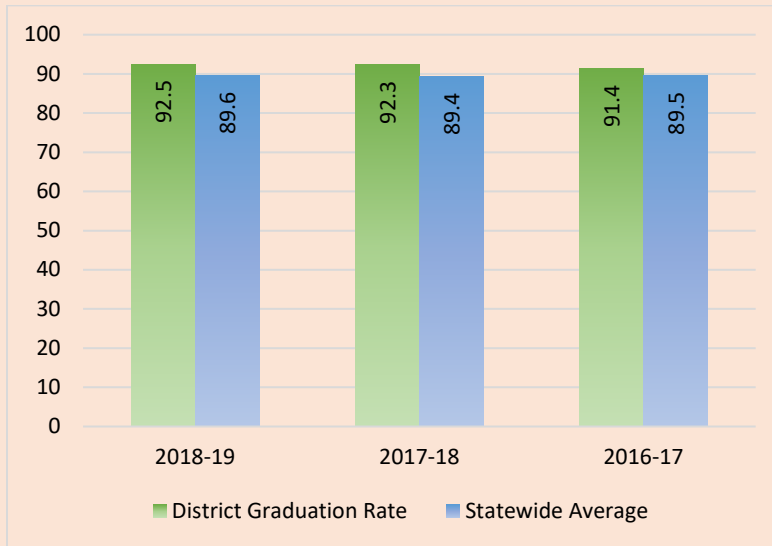


³ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) 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 Adequate Internal Controls Led to Inaccurate Nonresident Student Data Reported to the Pennsylvania Department of Education Resulting in an Overpayment of \$9,142

Criteria relevant to the finding:

The State Board of Education's regulations and Pennsylvania Department of Education (PDE) guidelines govern the classifications of nonresident children placed in private homes based on the criteria outlined in the Public School Code (PSC).

Payment of Tuition

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

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

We found that the Fannett-Metal School District (District) failed to implement adequate internal controls over the categorization and reporting of nonresident student data resulting in a \$9,142 overpayment from the Pennsylvania Department of Education (PDE). This overpayment was caused by the District inaccurately reporting the number of nonresident foster students educated by the District during the 2016-17 and 2018-19 school years.⁵

Background: School districts are entitled to receive Commonwealth-paid tuition for educating certain nonresident students. For a district to be eligible to receive Commonwealth-paid tuition, the District must ensure that the student has met all four eligibility components:

- 1) The student's parent/guardian must not be a resident of the educating district.
- 2) The student must have been placed in the private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.⁶
- 3) The district resident must be compensated for the care of the student.
- 4) The student must not be in pre-adoptive status.

These students are commonly referred to as "foster students." It is the responsibility of the educating district to obtain documentation to ensure that each student met the eligibility criteria to be classified as a nonresident student. Further, the district must obtain updated documentation for each year that the district reports a student as a nonresident.

Because school districts can be eligible for additional revenue for educating nonresident students, it is essential for districts to properly identify, categorize, and report nonresident students that it educated to PDE. Therefore, school districts should have a strong system of internal controls over this process that should include, but not be limited to, the following:

- Training on PDE reporting requirements.
- Written internal procedures to help ensure compliance with PDE requirements.

⁵ We found that the District accurately reported nonresident foster students to PDE for the 2015-16 and 2017-18 school years.

⁶ For example, the applicable county children and youth agency.

*Criteria relevant to the finding
(continued):*

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

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

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

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

- Reconciliations of source documents to information reported to PDE.

Foster Student Reporting Error

We found that the District made two reporting errors during the four-year audit period. These reporting errors involved two students who were inaccurately reported as foster students for part of the 2016-17 and 2018-19 school years. The District did not have the required documentation necessary to show that these two students met all four eligibility criteria to be reported as nonresident foster students. Without this required documentation, these two students should have been classified as residents and, therefore, the District was not eligible to receive the \$9,142 in Commonwealth reimbursement for these students.

Significant Internal Control Deficiencies

The District did not have adequate internal controls over the identification, categorization, and reporting of foster students during the audit period. The District relied solely on one employee to identify, categorize, and report foster student data to PDE. This information was reported to PDE without a reconciliation to source documents to ensure each foster student met the PDE requirements. Further, the data was not reviewed by an official knowledgeable on PDE reporting requirements prior to its submission to PDE. The District employee who was responsible for identifying, categorizing, and reporting foster student data to PDE was not adequately trained on the documentation and requirements necessary to report foster students accurately. Finally, the District did not have written policies and procedures to assist personnel in accurately identifying a foster student and obtaining the required documentation needed to support this categorization.

While our testing only found errors involving two students, the potential for more costly errors affecting the District reimbursements could occur if the internal control deficiencies are not corrected. Implementing adequate segregation of duties that includes a review and reconciliation process will help ensure that the foster student data reported to PDE is accurate. Since PDE uses that data to calculate the reimbursements provided to the District, it is imperative that the District implement adequate internal controls over this process.

Future Reimbursement Adjustment: We provided PDE with documentation detailing the reporting errors we identified for the 2016-17 and 2018-19 school years. We recommend that PDE adjust the District’s future reimbursement amount by the \$9,142 that we calculated as an overpayment.

Recommendations

The *Fannett-Metal School District* should:

1. Develop and implement an internal control system governing the process for identifying, categorizing, and reporting nonresident student data. The internal control system should include, but not be limited to, the following:
 - All personnel involved in the identification, categorization, and reporting of nonresident data are trained on PDE's reporting requirements.
 - A review of nonresident 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 categorization and reporting process for nonresident student data.
2. Obtain updated agency placement letters annually for all foster students to ensure proper categorization and accurate reporting to PDE.
3. Review foster student data reported to PDE for the 2019-20 school year to determine if there were similar reporting errors and, if necessary, submit revised data to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future reimbursements to resolve the overpayment of \$9,142.

Management Response

District management provided the following response:

District Answer to Recommendation 1: "At the April 2021 School Board Meeting, the Board of Directors approved a new position and hired an administrator who will be the Director of Special Education and Student Services. This newly hired administrator will oversee Foster Care within the School District and will be trained on all PDE identification, categorization, and reporting of nonresident student(s) and data. The employee identified by the audit who prepared the data will now have it checked by the Director of Special Education and Student Services. In addition, the Director of Special Education and Student Services, in conjunction with the School Superintendent, will develop written administrative procedures to follow when categorizing and reporting nonresident student data."

District Answer to Recommendation 2: “The newly hired Director of Special Education and Student Services will oversee the agency placement letter for all foster students are received from the proper agencies.”

District Answer to Recommendation 3: “Since the newly hired Director of Special Education and Student Services does not begin officially until July 1, 2021, the School Superintendent will be responsible for reviewing the foster student data that was reported to PDE in 2019-20 school year to determine if there are any similar reporting errors. If any errors are denoted, revised data information will be submitted to PDE.”

Auditor Conclusion

We are encouraged that the District is taking appropriate measures to implement our recommendations. We will determine the effectiveness of the District’s corrective actions during our next audit of the District.

Finding No. 2

The District Did Not Implement Adequate Internal Controls to Ensure Compliance with Driver Qualification and Clearance Requirements

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. . . .” See Section 10.3 of the Green Book.

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).

We found that the District did not implement sufficient internal controls to meet its statutory obligations under the PSC and associated regulations related to the employment of individuals having direct contact with students. Specifically, our review found that the District’s Board of School Directors (Board) approved drivers before obtaining all required documentation, and the District did not adequately maintain, review, and monitor contracted driver records. Further, the District was not following its own Board approved transportation policies and transportation contracts, which required the contractors to provide all necessary documentation to the District. By not adequately maintaining, reviewing, and monitoring driver qualifications, the District could not ensure that all contracted bus drivers were properly qualified and cleared to transport students before and throughout employment.

Background

Importance of Internal Controls

Several state statutes and regulations establish the minimum required qualifications for school bus drivers including, among others, the PSC and the Child Protective Services Law (CPSL). The District and its Board are responsible for the selection and approval of eligible operators who qualify under applicable laws and regulations.⁷ Therefore, the District should have a strong system of internal controls over its bus driver review process that should include, but not be limited to, the following:

- Documented review of all bus driver credentials prior to Board approval.
- Monitoring of bus driver credentials to ensure current clearances, licenses, and physicals on file are current.
- A system to track who is driving each bus throughout the school year to ensure the Board has authorized all drivers.
- Clear and concise written procedures.
- Training on bus driver qualification and clearance requirements.

⁷ See 22 Pa. Code § 23.4(2).

*Criteria relevant to the finding
(continued):*

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).

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).

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,⁸ 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 Report (Pennsylvania State Police clearance).
 - b. Federal Criminal History Record, based on a full set of fingerprints (FBI clearance).
 - c. PA Child Abuse History Clearance.⁹

It is important to note that all three clearances must be obtained every five years.¹⁰

Insufficient Internal Controls Resulted in Board Approval Without All Required Documentation

We obtained and reviewed a list of drivers approved by the District's Board to transport students for the 2020-21 school year. A review of the board meeting minutes revealed that the Board approved 26 contracted drivers "pending receipt of all necessary clearances and licenses."

We requested and reviewed the personnel files for all 26 contracted drivers to determine whether the District complied with bus driver requirements, including the maintenance and monitoring of required documentation prior to and throughout employment.

We found that required documentation was either missing or had expired for 11 drivers (42 percent). In fact, some drivers had more than one missing or expired document. We also found that while the District maintains a monitoring spreadsheet with driver names and document dates, there was not a documented review of the information. Only

⁸ Pennsylvania's Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

⁹ This clearance is from the state Department of Human Services.

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

*Criteria relevant to the finding
(continued):*

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).

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 the Pennsylvania Department of Education (PDE), and shall be subject to a civil penalty up to \$2,500. See 24 P.S. § 1-111(g)(1).

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).

one District employee is responsible for manually maintaining and monitoring required driver documents, and no secondary review of the information was performed unless the driver had a criminal conviction. Additionally, this individual was only obtaining and reviewing documentation for drivers that she knew were actively driving, instead of performing the same procedures for all potential drivers prior to Board approval. We determined these issues occurred due to insufficient internal controls over maintaining, reviewing, and monitoring contracted driver records.

A standardized review process and the ongoing monitoring of credentials and clearances are key internal controls important to ensuring compliance with the statutory requirements. Without having these vital internal controls in place, student safety could be jeopardized. In fact, the use of contractors to provide student transportation heightens the importance of having strong and effective internal controls including knowing who is actually driving the vehicles transporting the District's students at all times.

When we asked the District about these 11 drivers, the District employee responsible for driver records explained that 10 of the 11 drivers with missing or expired documentation did not transport students for the 2020-21 school year. However, the employee confirmed that one of the 11 drivers had transported students without record of an updated physical exam on file at the District.

While the District was able to obtain an updated physical exam record for the one regular driver from the contractor, the missing or expired documentation for the other ten drivers was not obtained because the District was under the false assumption that it only needed documentation for individuals **currently** driving for the school district, as opposed to obtaining documentation for all potential drivers before they were submitted to the Board for approval. While not all drivers were utilized by the District at the time of our testing, the fact remains that these drivers were Board approved and on the contractor's list of individuals available to drive for the District, even if on a substitute basis. Therefore, the District should have obtained and reviewed all required driver documentation prior to submitting drivers to the Board for approval.

Noncompliance with Board Policies and Transportation Contract

By not adequately maintaining and monitoring driver requirements, the District failed to follow its Board approved Policy No. 810, *School Bus Drivers and School Commercial Motor Vehicle Drivers* and Policy No. 818, *Contracted Services Personnel*, which require the District to obtain all required driver credentials and clearances prior to employment or assignment of a contracted employee. Additionally, the District and the contractor did not comply with their own transportation contract, which

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>).

District Policy

Board Policy 810, *Transportation*, states, in part:

" . . . A school bus driver shall not be employed until s/he has complied with the mandatory background check requirements for criminal history and child abuse and the contractor has evaluated the results of that screening process. . . ."

Board Policy No. 818, *Contracted Services Personnel*, states, in part:

" . . . Prior to assignment of contractor employees to perform work for the district in a position or assignment involving direct contact with children, contractor employees shall submit an official child abuse clearance statement and state and federal criminal history background checks (certifications) as required by law. . . ."

The District's Agreement for the Transportation of School Pupils with its contracted transportation provider states, in part:

" . . . The Contractor shall be responsible to verify that each bus is properly licensed and has obtained all necessary clearances (Acts 24, 34, 114, 151), certificates (Act 26) and licenses, which shall be delivered to the Board prior to requesting approval for a new or substitute drivers. . . ."

contained similar language mandating that clearances and Board approval must be obtained *prior to* contracted drivers providing transportation services.

Conclusion

The District did not implement adequate internal controls to ensure compliance with all applicable laws, regulations, the Pennsylvania Department of Education (PDE) guidance documents, its board policies, and its transportation contract by not sufficiently obtaining, monitoring, and updating ongoing driver requirements prior to and during employment. Ensuring that ongoing credential and clearance requirements are satisfied are vital student protection and 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. The use of a contractor to provide student transportation does not negate the District's legal obligations and responsibilities.

Recommendations

The *Fannett-Metal School District* should:

1. Implement verifiable internal control procedures with a documented review process to ensure that only qualified and authorized individuals are driving for the District.
 - These procedures should ensure:
 - All required credentials and clearances are obtained, reviewed, and on file at the District prior to individuals being presented to the Board and transporting students, and
 - All driver qualification and clearance documentation is monitored on a regular basis sufficient to ensure compliance with requirements.
2. Comply with the PSC's requirements to obtain, review, and maintain required credentials and background clearances for all contracted employees that have direct contact with students.
3. Implement contract monitoring procedures to ensure compliance with the terms of its transportation contract as it relates to the provisions requiring the contractor to provide qualifications and background clearance documentation for all drivers.
4. Comply with board policies establishing the District's duty to ensure that the requirements for all contracted drivers are obtained and approved prior to employment.

Management Response

District management provided the following response:

“The Fannett-Metal School District does acknowledge this finding that ten (10) Bus Drivers on the School District List of Approved Drivers did not have all their clearances. Although these ten (10) Bus Drivers were approved by the School Board (denoted in the approvals as pending receipt of all clearances), the Transportation Director kept a thorough list with these then (10) drivers identified as not being able to drive any vehicles due to not receiving all the necessary and required clearances. The Transportation Director had a system of internal controls that prevented any Bus Driver who was approved but did not have all their clearances submitted from driving for the District. Understanding that the District’s internal control list was interpreted by the auditors that these ten (10) drivers were approved to drive for the District (even though they DID NOT drive), moving forward the Transportation Director will not be submitting any Bus Driver’s name to the School Board for approval until ALL required clearances are provided in advance.”

District Answer to Recommendation 1: “By requiring ALL Bus Driver clearances in advance prior to their name being submitted to the School Board for approval, this revised internal control will negate a separate listing.”

District Answer to Recommendation 2: “By requiring ALL Bus Driver clearances in advance prior to their name being submitted to the School Board for approval, this revised internal control will meet the PSC’s requirements.”

District Answer to Recommendation 3: “By requiring ALL Bus Driver clearances in advance prior to their name being submitted to the School Board for approval, this revised internal control will ensure the District’s compliance with the terms of the transportation contract.”

District Answer to Recommendation 4: “By requiring All Bus Driver clearances in advance prior to their name being submitted to the School Board for approval, this revised internal control will ensure the District’s compliance with Board Policy 818.”

Auditor Conclusion

We are encouraged that the District is taking appropriate measures to implement our recommendations. We reiterate the importance of the Board ensuring that its approval of drivers is not conditional on the District subsequently obtaining all the required qualification and clearances documents. We will determine the effectiveness of the District’s corrective actions during our next audit.

Status of Prior Audit Findings and Observations

Our prior Limited Procedures Engagement of the Fannett-Metal School District resulted in no findings or observations.

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,¹¹ 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 Nonresident Student Data, Bus Driver Requirements, Transportation Operations, and Administrator Separations 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.¹² *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.¹³ 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.

¹¹ 72 P.S. §§ 402 and 403.

¹² 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.

¹³ 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

Principle →	Internal Control Significant?	Control Environment					Risk Assessment					Control Activities			Information and Communication			Monitoring	
		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	
Nonresident Student Data	Yes				X			X	X		X		X	X	X				
Bus Drivers	Yes										X		X			X	X		
Transportation	Yes				X			X	X		X		X	X	X	X			
Administrator Separations	Yes										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.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁴
 - ✓ To address this objective, we assessed the District's internal controls over the inputting, processing, and reporting of the nonresident foster student data reported to PDE. We reviewed documentation for all six of the nonresident foster students reported to PDE as educated by the District for the 2015-16 through 2018-19 school years. We verified that each nonresident foster student's custodial parent or guardian was not a resident of the District, the foster parent(s) were a resident of the District and received a stipend for caring for the student. The District's nonresident foster student listings were compared to the total days reported on the Membership Summary and Instructional Time Membership Report, and agency placement letters to determine if the District accurately reported nonresident foster student data to PDE and that the District received the correct reimbursement for these students.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to the categorization and reporting of nonresident foster students. Our results are detailed in Finding No. 1 beginning on page 7 of this report.

¹⁴ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

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 clearances¹⁵ as outlined in applicable laws?¹⁶ 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, reviewing, and monitoring required bus driver qualifications documents and procedures for being made aware of who transported students daily. We obtained a list of drivers for the 2020-21 school year, conducted procedures to confirm the completeness of the list, and verified that all drivers were approved by the Board of School Directors. We reviewed personnel files for all of the District's 26 contracted drivers to determine if the District maintained documentation to demonstrate compliance with driver qualification and clearance requirements. We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and health physicals.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to maintaining, reviewing, and monitoring bus driver qualification requirements. Our results are detailed in Finding No. 2 starting on page 11 of this report.

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?¹⁷
 - ✓ To address this objective, we assessed the District's internal controls for obtaining, processing, and reporting regular transportation data to PDE. We randomly selected for testing 5 of the 14 total vehicles used to transport students for the 2016-17 school year, 5 of the 15 total vehicles used to transport students for the 2017-18 school year, and 8 of the 18 total vehicles used to transport students for the 2018-19 school year.¹⁸ We obtained the vehicles' odometer readings, student rosters, and calendars and compared the data to the District's transportation data reports. We verified the accuracy of the data entry from odometer readings, student rosters, and the days vehicles operated to the District's year-end reports to ensure the data was accurately reported to PDE.

¹⁵ 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.

¹⁶ 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.

¹⁷ See 24 P.S. § 25-2541.

¹⁸ 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.

Conclusion: The results of our procedures did not identify any significant internal control deficiencies required to be reported. In addition, our procedures related to this objective did not disclose any reportable issues.

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 for processing the final payments to contracted employees who separated employment from the District. We reviewed the Board meeting minutes, board policies, employment contracts, and payroll and leave records for the one individually contracted administrator who separated employment from the District during the period July 1, 2015 through June 30, 2019. We reviewed the final payouts to determine if the administrator was compensated in accordance with the contracts and that only allowable wages were reported to PSERS.

Conclusion: The results of our procedures did not identify any significant internal control deficiencies required to be reported. In addition, our procedures related to this objective did not disclose any reportable issues.

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?¹⁹ 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 but not limited to, safety plans, training schedules, anti-bullying policies, safety committee meetings, school climate surveys, and the memorandum of understanding with the local law enforcement agency.

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?²⁰ 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 the District's two buildings for the 2018-19 and 2019-20 school years to determine if drills were held as required by PDE. 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

¹⁹ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

²⁰ Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation.

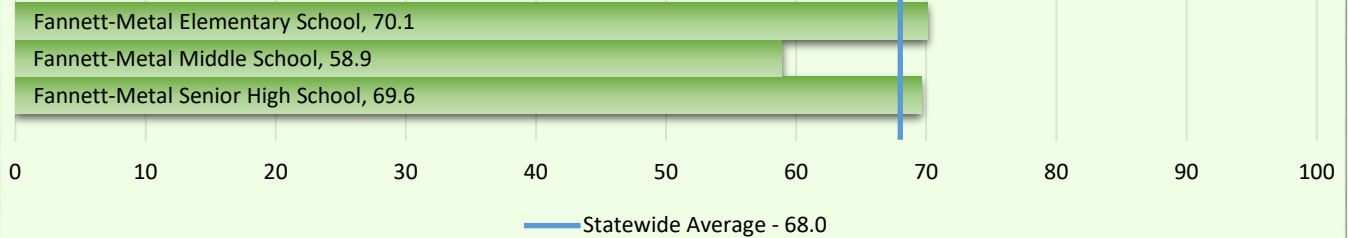
Conclusion: The results of our procedures for this portion of the school safety objective did not disclose any reportable issues.

Appendix B: Academic Detail

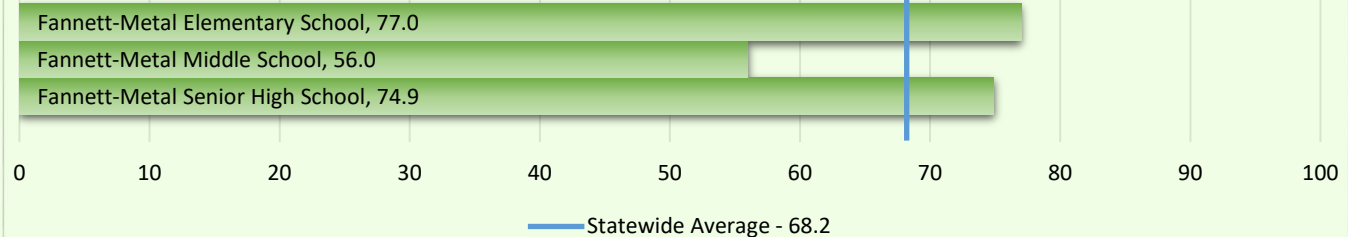
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.²¹ Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²²

SPP School Scores Compared to Statewide Averages

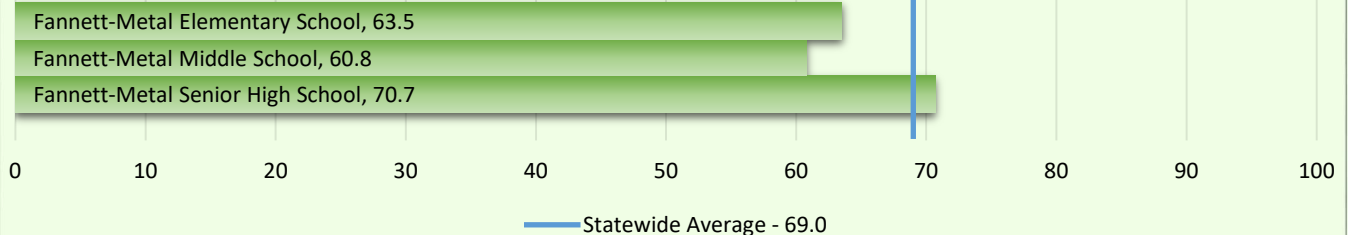
2018-19



2017-18



2016-17

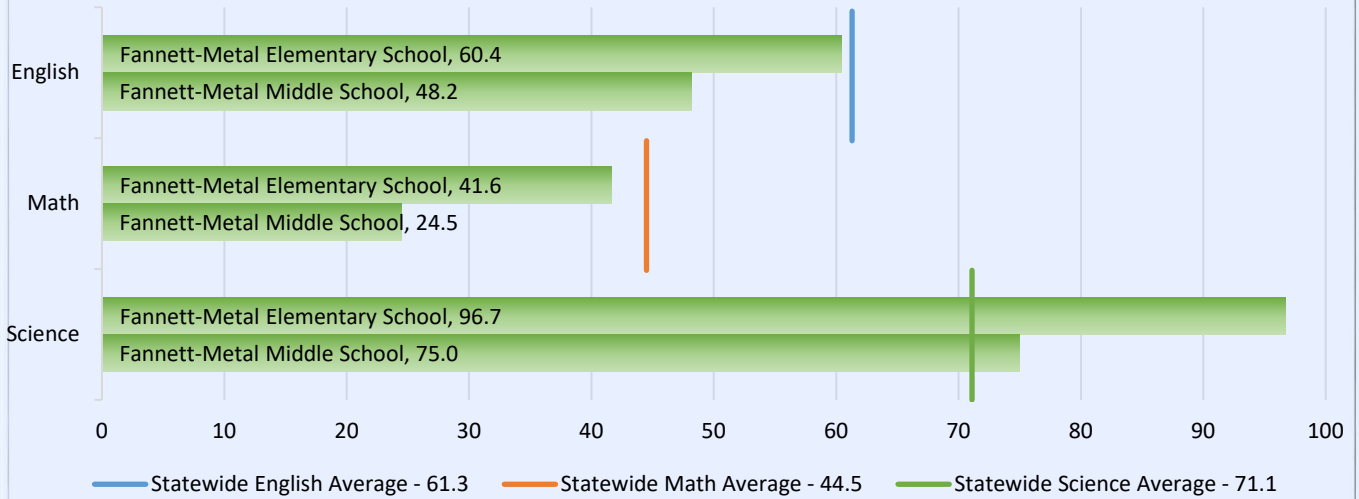


²¹ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

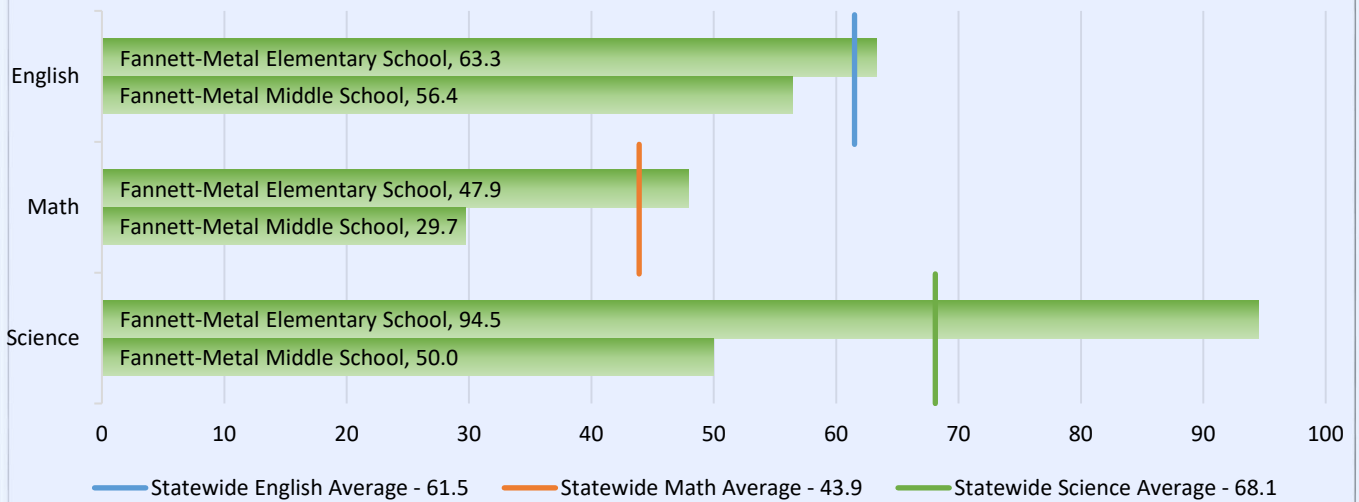
²² PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

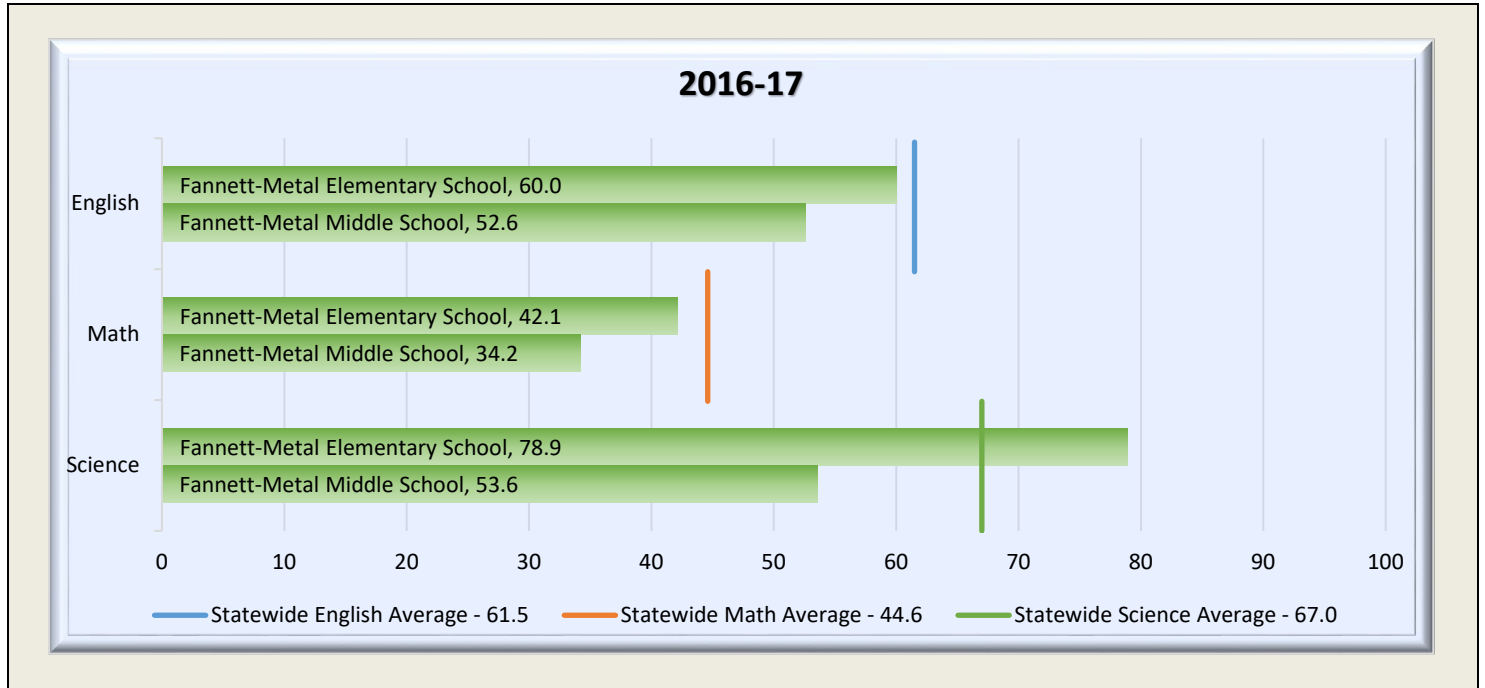
2018-19



2017-18

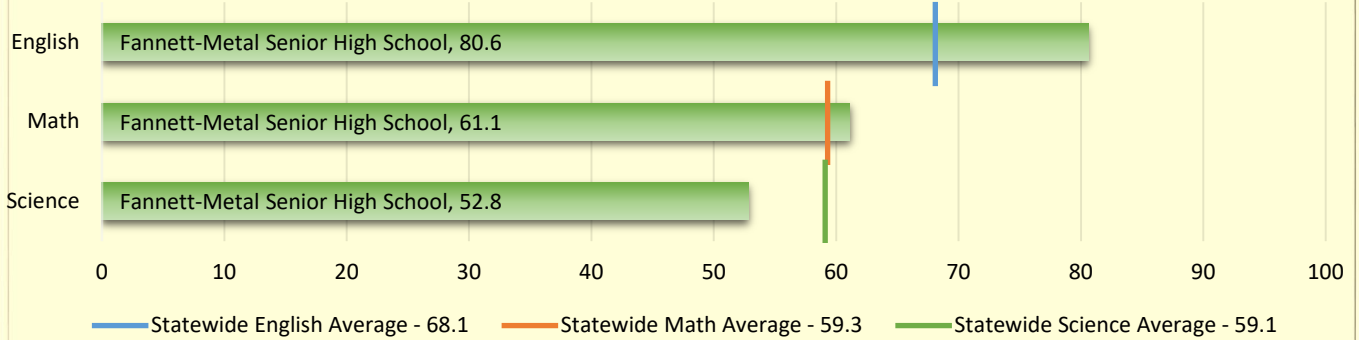


**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

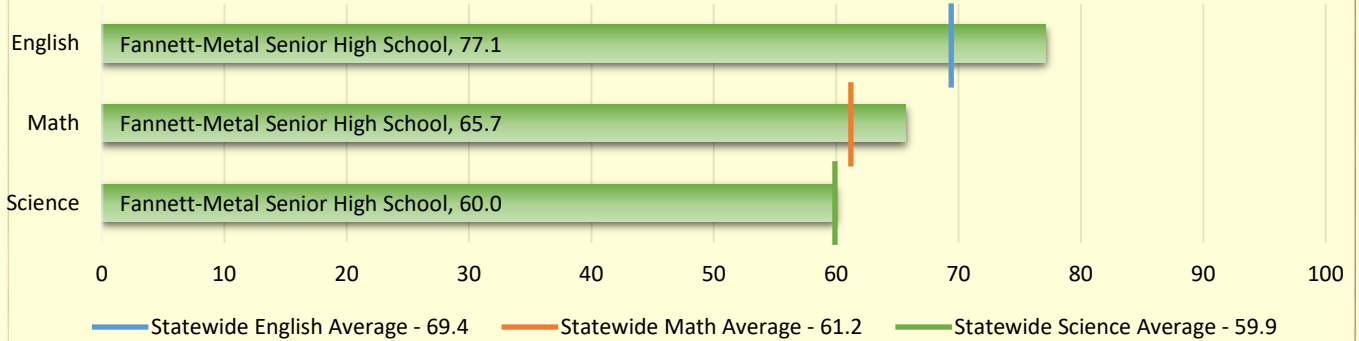


**Keystone Advanced or Proficient Percentage
School Scores Compared to Statewide Averages**

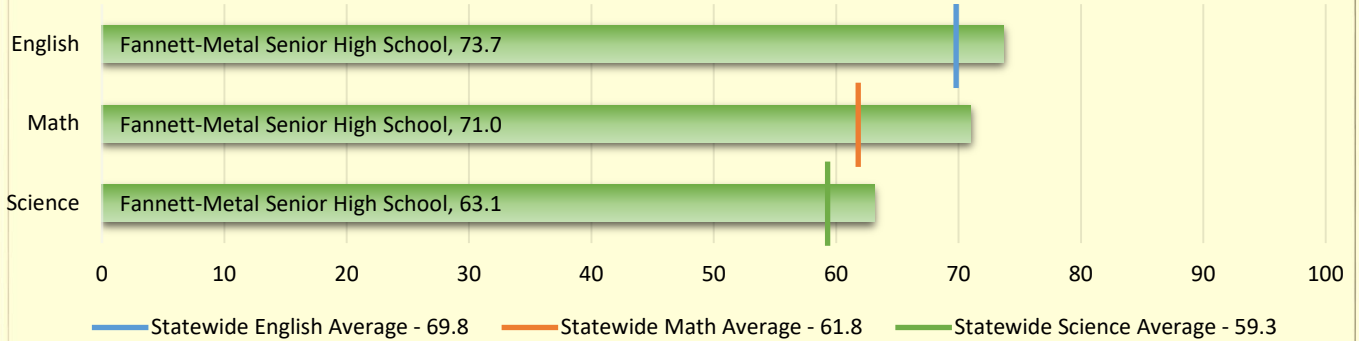
2018-19



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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