

PERFORMANCE AUDIT

Laurel Highlands School District Fayette County, Pennsylvania

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Dr. Jesse T. Wallace, III, Superintendent
Laurel Highlands School District
304 Bailey Avenue
Uniontown, Pennsylvania 15401

Mr. Melvyn Sepic, Board President
Laurel Highlands School District
304 Bailey Avenue
Uniontown, Pennsylvania 15401

Dear Dr. Wallace and Mr. Sepic:

We have conducted a performance audit of the Laurel Highlands School District (District) for the period July 1, 2016 through June 30, 2020, 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
- Nonresident Student Data
- Bus Driver Requirements
- Financial Stability

We also evaluated the application of best practices in the area of school safety and determined compliance with certain requirements in this area, including compliance with fire and security drills. 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.

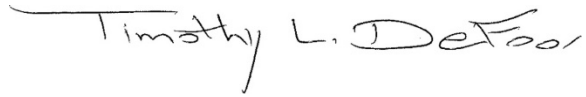
Our audit identified areas of noncompliance and significant internal control deficiencies in the areas of transportation operations, nonresident student data, and bus driver requirements. Those deficiencies are detailed in the three findings of this report. In addition, we found that the District performed adequately in the area of financial stability. A summary of those 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 relevant requirements.

Dr. Jesse T. Wallace, III
Mr. Melvyn Sepic
Page 2

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 from the start of the name.

Timothy L. DeFoor
Auditor General

March 22, 2022

cc: **LAUREL HIGHLANDS SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Background Information	2
Findings	7
Finding No. 1 – The District’s Failure to Implement an Adequate Internal Control System Resulted in a \$45,045 Overpayment and an Unauditable \$4.7 Million in Transportation Reimbursements	7
Finding No. 2 – The District’s Failure to Implement an Adequate Internal Control System Led to the District Inaccurately Reporting Nonresident Student Data to PDE Resulting in a \$35,386 Overpayment	14
Finding No. 3 – The District Did Not Ensure that Its Contracted Bus Drivers Had All the Required Clearances and Qualifications	18
Status of Prior Audit Findings and Observations	25
Appendix A: Audit Scope, Objectives, and Methodology	26
Appendix B: Academic Detail	32
Distribution List	36

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Laurel Highlands 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, 2016 through June 30, 2020, 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 2016-17 through 2019-20 school years.

Audit Conclusion and Results

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

Finding No. 1: The District's Failure to Implement an Adequate Internal Control System Resulted in a \$45,045 Overpayment and an Unauditable \$4.7 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 and supplemental transportation data. Consequently, the District inaccurately reported the number of nonpublic school students transported during the 2016-17 through 2019-20 school years, which resulted in a \$45,045 overpayment in supplemental transportation reimbursements. Additionally, the District failed to retain documentation to support the transportation data it reported to the Pennsylvania Department of Education (PDE), and therefore, we could not audit the reported data and

determine the accuracy of the more than \$4 million in regular transportation reimbursement the District received for the audit period (see page 7).

Finding No. 2: The District's Failure to Implement an Adequate Internal Control System Led to the District Inaccurately Reporting Nonresident Student Data to PDE Resulting in a \$35,386 Overpayment.

We found that the District failed to implement an adequate internal control system over the identification, categorization, and reporting of nonresident student data resulting in a \$35,386 overpayment from PDE. This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2016-17, 2017-18, and 2018-19 school years (see page 14).

Finding No. 3: The District Did Not Ensure that Its Contracted Bus Drivers Had All the Required Clearances and Qualifications.

We found that the District did not implement sufficient internal controls to meet its statutory obligations related to the employment of individuals having direct contact with students during the 2021-22 school year by not maintaining, reviewing, and monitoring required qualifications and background clearances for contracted drivers transporting students. Our review found that the District placed complete reliance on the contractor for obtaining and evaluating required driver documents. Additionally, the District's Board of School Directors did not approve individual drivers as required. Overall, we determined that the District did not implement sufficient internal controls to meet these obligations (see page 18).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2020-21 School Year*	
County	Fayette
Total Square Miles	55
Number of School Buildings	6
Total Teachers	207
Total Full or Part-Time Support Staff	155
Total Administrators	16
Total Enrollment for Most Recent School Year	2,740
Intermediate Unit Number	1
District Career and Technical School	Fayette County CTI

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

Mission Statement*

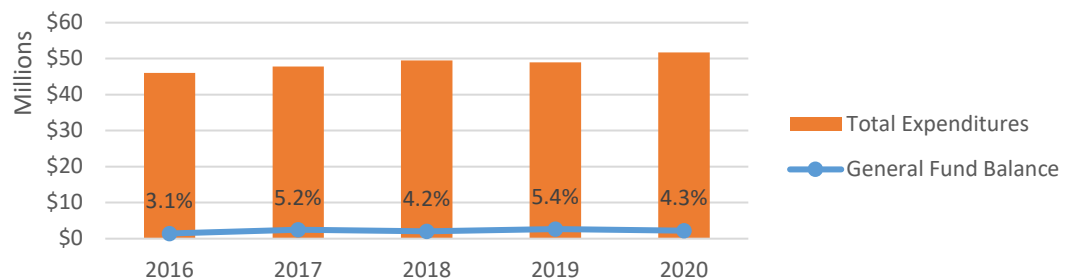
In partnership with students, families, and the community, is to provide a rigorous, meaningful, and relevant education which prepares students to become productive members of an ever-changing global society.

Financial Information

The following pages contain financial information about the Laurel Highlands 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**.

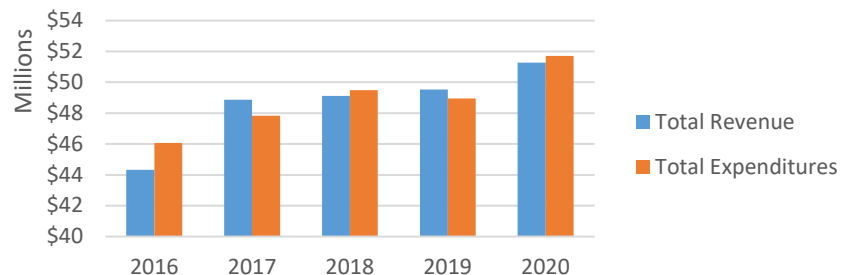
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2016	\$1,440,020
2017	\$2,463,903
2018	\$2,080,828
2019	\$2,665,993
2020	\$2,232,644



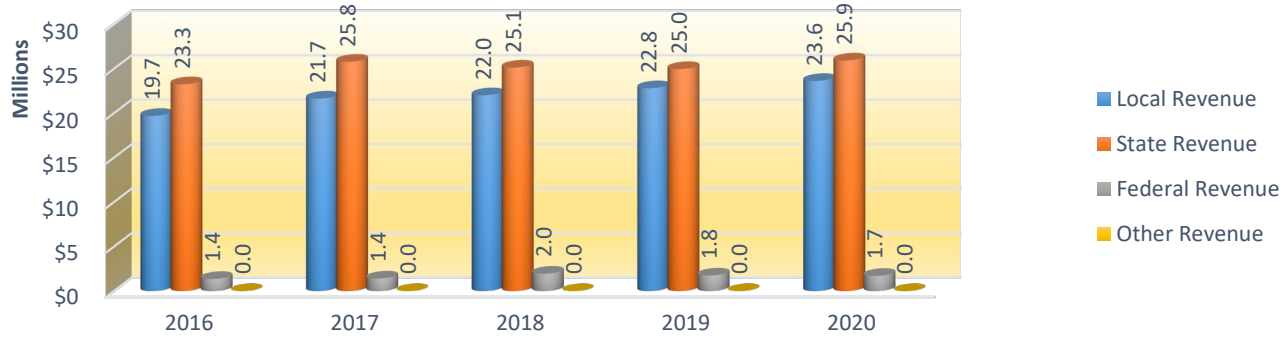
Revenues and Expenditures

	Total Revenue	Total Expenditures
2016	\$44,329,405	\$46,058,441
2017	\$48,860,881	\$47,836,998
2018	\$49,112,866	\$49,495,939
2019	\$49,533,825	\$48,948,660
2020	\$51,276,527	\$51,709,876

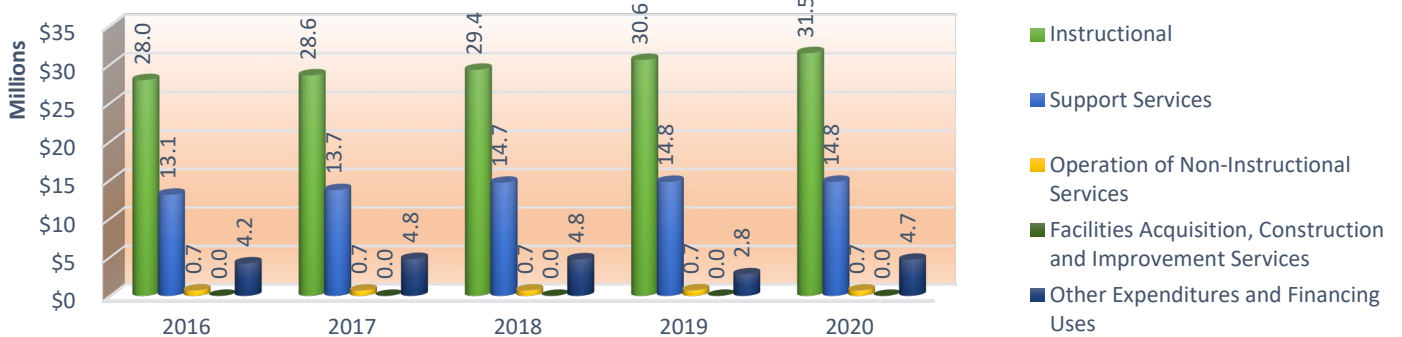


Financial Information Continued

Revenues by Source

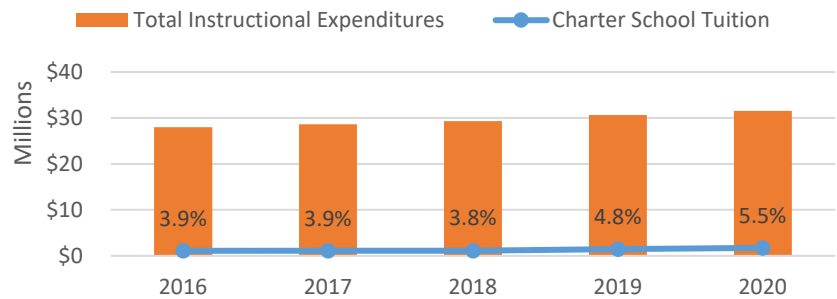


Expenditures by Function

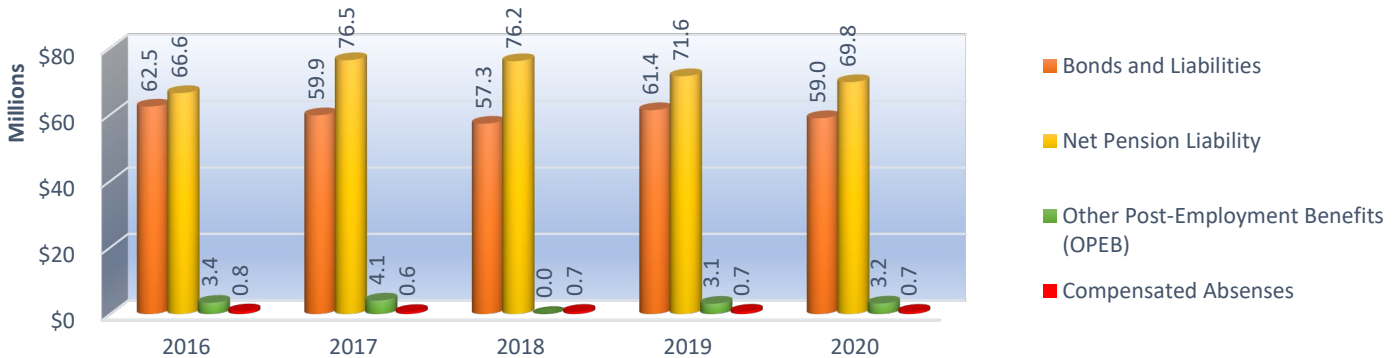


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2016	\$1,095,480	\$28,010,982
2017	\$1,102,788	\$28,629,616
2018	\$1,127,300	\$29,354,038
2019	\$1,463,561	\$30,631,316
2020	\$1,735,911	\$31,521,962



Long-Term Debt

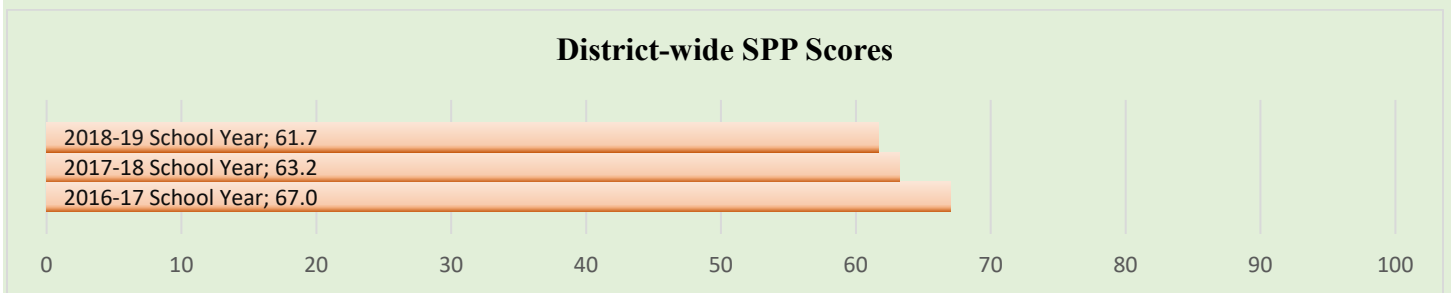


Academic Information¹

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, and Keystone Exam results for the District obtained from PDE's data files for the 2016-17, 2017-18, and 2018-19 school years.² In addition, the District's 4-Year Cohort Graduation Rates are presented for the 2017-18 through 2019-20 school years.³ 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.



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 Due to the COVID-19 pandemic the PSSA and Keystone Exam requirements were waived for the 2019-20 school year; therefore, there is no academic data to present for this school year.

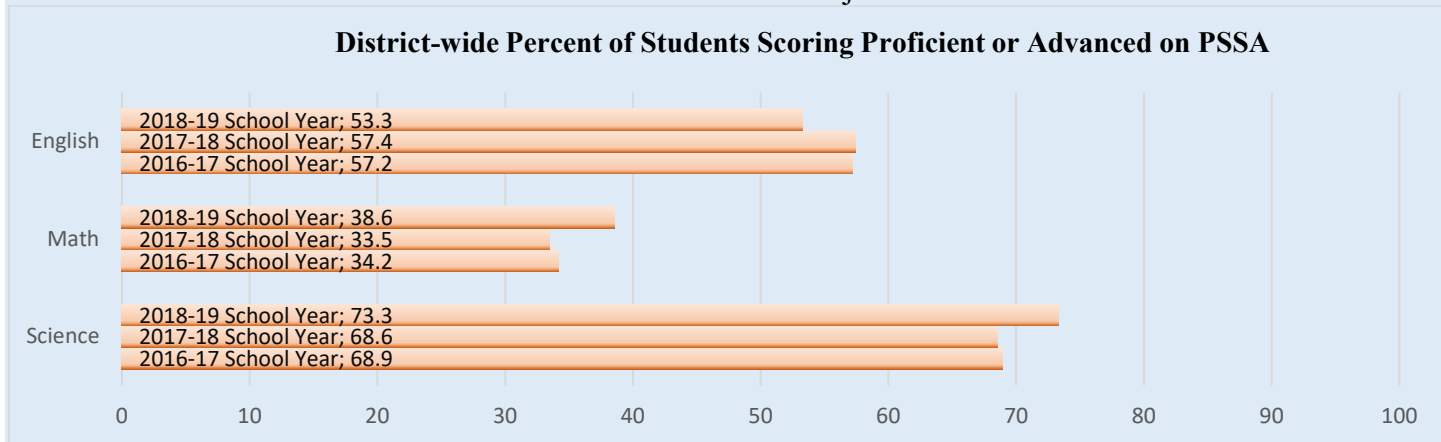
³ Graduation rates were still reported for the 2019-20 school year despite the COVID-19 pandemic.

Academic Information Continued

What is the PSSA?

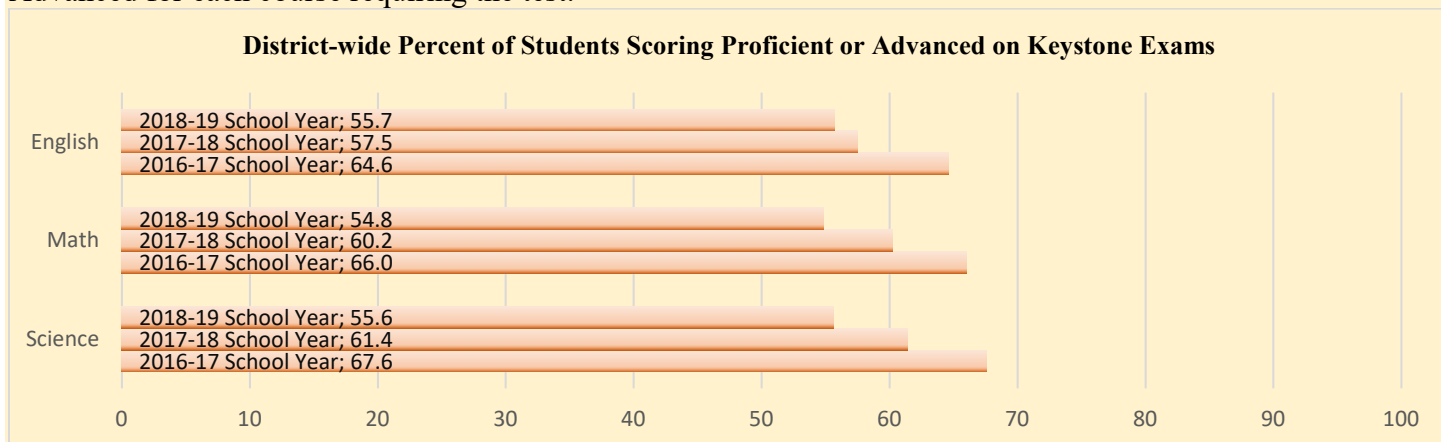
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.⁴ 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.

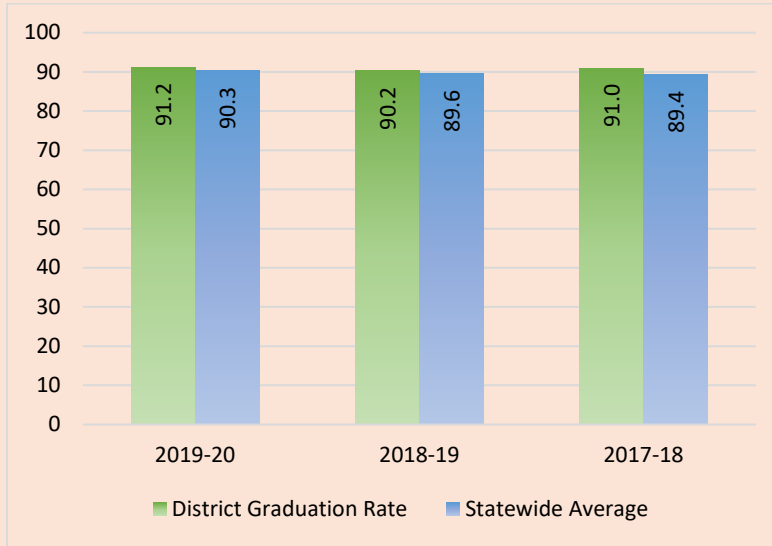


⁴ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) 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.⁵



⁵ 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 Adequate Internal Control System Resulted in a \$45,045 Overpayment and an Unauditable \$4.7 Million in Transportation Reimbursements

Criteria relevant to the finding:

Supplemental Transportation Subsidy for Public Charter School and Nonpublic School Students

The Charter School Law, through its reference to Section 2509.3 of the Public School Code (PSC), provides for an additional, per student subsidy for the transportation of charter school students. See 24 P.S. § 17-1726-A(a); 24 P.S. § 25-2509.3.

Number of Nonpublic and Charter School Pupils Transported

<https://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE-2089%20SummPupilsTransp.pdf>
(accessed on 1/25/2022)

Enter the total number of resident NONPUBLIC school pupils you transported to and from school. Documentation identifying the names of these pupils should be retained for review by the Auditor General's staff. NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that your district is financially responsible to educate is a PUBLIC pupil.)

We found that the Laurel Highlands School District (District) did not implement an adequate internal control system over the input, calculation, and reporting of regular and supplemental transportation data. Consequently, the District inaccurately reported the number of nonpublic school students transported during the audit period, which resulted in the District being overpaid \$45,045 in its supplemental transportation reimbursements.⁶ Additionally, the District failed to retain documentation to support the transportation data it reported to the Pennsylvania Department of Education (PDE), and therefore, we could not audit the reported data and determine the accuracy of the more than \$4 million in regular transportation reimbursement the District received for the audit period.

Background: School districts receive two separate transportation reimbursement payments from 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 that vehicles are in service, both with and without students. The **supplemental** transportation reimbursement is based on the number of nonpublic school and charter school students transported.

Since the above listed components are integral to the calculation of the District's transportation reimbursements, it is essential for the District to properly identify students that it transports, properly maintain records for these students, and accurately report this data to PDE. The District must also obtain and retain this data in accordance with the Public School Code (PSC) requirements (see the criteria box). Therefore, the District should have a strong system of internal control over its regular and supplemental transportation operations that should include, but not be limited to, the following:

- Segregation of duties.
- Written procedures, including record retention procedures.
- Training on PDE reporting requirements.

⁶ The District received \$58,905 in supplemental transportation reimbursements for the 2016-17 through 2019-20 school years.

*Criteria relevant to the finding
(continued):*

Number of Pupils Transported to Charter Schools Outside Your District:

Enter the number of resident pupils transported outside of your district boundaries either to a regional charter school of which your district is a part or to a charter school located within ten miles of your district boundaries. Documentation identifying the names of these pupils should be retained for review by the Auditor General's staff.

Record Retention Requirement

Section 518 of the PSC requires that financial records of a district be retained by the district for a period of **not less than six years**.

(Emphasis added.) See 24 P.S. § 5-518.

Student Transportation Subsidy

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

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.⁷ 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 so its submission to PDE can be made with the utmost confidence.

Supplemental Transportation Reporting Errors

The PSC requires school districts to provide transportation service to students who reside in its district and who attend a charter or nonpublic school, and it provides for a reimbursement of \$385 for each nonpublic school student transported by the district.⁸

We reviewed the nonpublic school student transportation data that the District reported to PDE and found that the District made reporting errors in each year of the four-year audit period. The reporting errors are detailed in Table No. 1 below.

Table No. 1

Laurel Highlands School District Supplemental Transportation Reporting Errors		
School Year	(A) Number of Nonpublic School Students Over Reported to PDE	(A x \$385) Overpayment
2016-17	35	\$13,475
2017-18	12	\$ 4,620
2018-19	28	\$10,780
2019-20	42	\$16,170
Total	117	\$45,045

Every school year, the District should obtain a written request to transport each nonpublic school student from the parent/guardian. The District must maintain this documentation as support for the number of students it reports to PDE for the supplemental reimbursement calculation. Without this documentation, the District cannot include these students in its total number of students transported.

⁷ See 24 P.S. § 25-2543.

⁸ According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements. See Section 922.1-A(b) (relating to "Definitions") of the PSC, 24 P.S. § 9-922.1-A(b).

*Criteria relevant to the finding
(continued):*

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).

The Pennsylvania Department of Education (PDE) Instructions to Complete the Worksheet for Computing Sample Averages

<https://www.education.pa.gov/Teachers%20-%20Administrators/Pupil%20Transportation/Pages/default.aspx> (accessed 1/11/2022)

Record the vehicle odometer readings on or about July 1 prior to the beginning of the school year and on or about July 1 at the end of the school year. The two readings should be about one year apart. After the second reading, subtract the beginning of the year odometer reading from the end of the year odometer reading to determine the annual odometer mileage.

The primary reason the District was overpaid supplemental transportation reimbursements was due to the District inaccurately reporting students who were transported to special education facilities as nonpublic school students.

More than \$4.7 million in Regular Transportation Reimbursements Unauditable

As previously mentioned, the regular transportation reimbursement is based on several components that are reported by the school district to PDE for use in calculating the district’s annual reimbursement amount. PDE guidelines state that districts are required to report the number of days a vehicle is in service and the number of students assigned to each vehicle, as well as the miles per day, to the nearest tenth, that each vehicle travels with and without students. If the number of students assigned and or mileage changes during the school year, the district is required to calculate an average and report this data.

The District contracted with two transportation vendors to provide transportation services for students during the audit period. One contractor used vans to transport District students, and the second contractor transported students in buses. The District’s van contractor provided the District with summary data that the District reported to PDE without review or obtaining source documentation to verify the accuracy of the data. The District was unable to provide the source documentation for the mileage, number of students, and number of days, reported to PDE for these vans; therefore, we were unable to determine the accuracy of the reported data.

The District was also reliant on its bus contractor to provide it with transportation data to report to PDE. It was evident during our review of this information that the District was not calculating and reporting an average of miles traveled and number of students transported. We requested the source documentation for the reported data and the District was unable to provide support for the number of students transported, nor was it able to support the number of days students were transported. The District was able to provide vehicle odometer readings and even based on our limited review of this source documentation we found that mileage data was inaccurately reported to PDE. However, due to the lack of source documentation to support the number of students transported, the number of days, and all source documentation for the District’s van contractor, we were unable to determine the monetary effect of these errors.

In addition to the mileage errors we identified for some vehicles, our limited review of the reported data shows other potential irregularities that warranted further review. For example, as shown in Table No. 2, the District reported that it transported more students using more vehicles in the 2018-19 school year than in 2017-18 school year, but it received less total reimbursements.

Criteria relevant to the finding (continued):

Once during each month, from October through May, for to-and-from school transportation, measure and record:

1. The number of miles the vehicle traveled with students.
2. The number of miles the vehicle traveled without students
3. The greatest number of students assigned to ride the vehicle at any one time during the day.

At the end of the school year, calculate the average of the eight measurements for each of the three variables calculated to the nearest tenth. These averages are called sample averages.

The annual odometer mileage and the sample averages determined by the above methods should be used to complete the PDE-1049, end-of-year pupil transportation report in the eTran system.

Use of this specific form is not a PDE requirement; it has been designed and provided as a service to local education agencies that wish to use it for recording and calculating data that is reported to PDE on the PDE-1049 report in eTran. **If used, this form, along with the source documentation that supports the data, should be retained for auditor review.**

Table No. 2

Laurel Highlands School District Transportation Data Reported to PDE			
School Year	Reported Number of Students Transported	Reported Number of Vehicles	Total Reimbursement Received
2016-17	2,987	53	\$1,244,402
2017-18	2,793	55	\$1,214,277
2018-19	3,213	60	\$1,209,601
2019-20	2,854	52	\$1,089,575
Totals	11,847	220	\$4,757,855

The District reported transportation data without obtaining appropriate source documentation and it was evident from the different formats in which each transportation contractor provided summary data that the District was reliant on its transportation contractors to obtain and calculate transportation data that was then reported to PDE without any further review.

Irregularities in Reporting the Number of Students Eligible for Reimbursement

The number of students transported falls into multiple reporting categories including, but not limited to: (1) students transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route; and (2) students transported who are not eligible for reimbursement. 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.

During our review, we noted that the District reported zero students in the nonreimbursable category for all four years of the audit period. The District reported students eligible for reimbursement due to residing on a hazardous walking route for each year of the audit period and the number of students fluctuated significantly as illustrated in Table No. 3 below.

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 PDE in order to be eligible for the transportation subsidies and state, 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.

Table No. 3

Laurel Highlands School District Transportation Data Reported to PDE	
School Year	Number of Students Residing on Hazardous Walking Route
2016-17	298
2017-18	100
2018-19	254
2019-20	248
Totals	900

We questioned the District about this unusual reporting and found that the employee responsible for categorizing and reporting the number of students it transported was not adequately trained in PDE’s reporting requirements. The District reported all students who resided on a PennDOT approved hazardous walking route as reimbursable without taking into consideration how far each student lived from their respective school. The District was unable to provide us with the home addresses and the respective schools attended for each of the students reported as eligible due to residing on a hazardous walking route; therefore, we were unable to determine the accuracy of the reported data.

Significant Internal Control Deficiencies

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

- Ensure that the employees responsible for reporting transportation data to PDE were adequately trained on PDE’s reporting requirements and the supporting documentation required to be obtained and retained.
- Implement adequate segregation of duties when it assigned responsibility to one employee for reporting both regular and supplemental transportation data to PDE without ensuring that a different employee reviewed the data before it was submitted to PDE.
- Ensure that each nonpublic school student had a “request for transportation” on file for each school year prior to reporting the data to PDE.
- Perform a reconciliation of individual requests for transportation to the total number of nonpublic and charter school students reported to PDE.
- Develop detailed written procedures for obtaining and maintaining the documentation needed to accurately report transportation data to PDE,

including vehicle data and the total number of nonpublic and charter school students transported.

All of the above internal control weaknesses led to the deficiencies we discussed in this finding which resulted in the \$45,045 overpayment and our inability to fully audit the regular transportation reimbursements.

Future Reimbursement Adjustment: While we were unable to determine the accuracy of the regular transportation reimbursement, we did provide PDE with reports detailing the reporting errors related to the supplemental transportation reimbursement for the 2016-17 through 2019-20 school years. We recommend that PDE adjust the District's future transportation reimbursements by the \$45,045 that we identified as an overpayment.

Recommendations

The *Laurel Highlands School District* should:

1. Develop and implement an internal control system over its regular and supplemental 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 person 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 vehicle data is obtained, reviewed, and retained in accordance with PSC requirements. Record retention procedures should be documented and staff trained on these procedures.
3. Complete a reconciliation of the list of nonpublic school students to individual requests for transportation to help ensure accuracy prior to reporting the data to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future transportation subsidy to resolve the \$45,045 overpayment for supplemental transportation reimbursement.

Management Response

District management provided the following response:

“The District takes careful and deliberate steps to ensure that all transportation documentation required under school code is adhered to at levels equal to or above standard guidelines. To that end, the District does acknowledge the oversight in reporting nonpublic ridership and documenting those students who reside in PennDOT determined hazardous walking route(s). Likewise, internal controls have been established to prevent future gaps in data; thereby ensuring all reports and documentation are aligned to reporting criteria. As a result of the findings, the District will implement and maintain updated training if available to those individuals responsible for documenting transportation operations and adhere to the audit team-cited recommendations.”

Auditor Conclusion

We are encouraged that the District recognizes the need to establish appropriate internal controls over the acquisition and retention of transportation documentation utilized in reporting, and is in the process of taking appropriate corrective actions to implement our recommendations. We will evaluate the effectiveness of all of the District’s corrective actions during our next audit.

Finding No. 2

The District's Failure to Implement an Adequate Internal Control System Led to the District Inaccurately Reporting Nonresident Student Data to PDE Resulting in a \$35,386 Overpayment

Criteria relevant to the finding:

The State Board of Education's regulations and PDE guidelines govern the classifications of nonresident children placed in private homes based on the criteria outlined in the 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 District failed to implement an adequate internal control system over the categorization and reporting of nonresident student data resulting in a \$35,386 overpayment from PDE.⁹ This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2016-17, 2017-18, and 2018-19 school years.¹⁰

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.¹¹
- 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" and it is the mandate of the educating district to obtain documentation to correctly categorize and accurately report these students that the district educated to PDE. Further, the district must obtain updated documentation for each year that the district reports a student as a nonresident student.

Because school districts can be eligible for additional revenue for educating nonresident students, it is essential for school districts to properly identify, categorize, and report nonresident students that it educated to PDE. Therefore, school districts should have a strong system

⁹ The District received a total of \$213,689 in nonresident foster student reimbursements for the 2016-17 through 2018-19 school years.

¹⁰ We found that the District accurately reported foster students educated by the District for the 2019-20 school year.

¹¹ 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).

of internal control 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.
- Reconciliations of source documents to information reported to PDE.

Foster Student Reporting Errors

We found that the District made a total of four reporting errors in the 2016-17, 2017-18, and 2018-19 school years. These reporting errors involved one student who was inaccurately reported for three years, and one additional student who was inaccurately reported for the 2018-19 school year. The following table details the reporting errors and resulting subsidy overpayment:

Laurel Highlands School District Foster Student Data		
School Year	Number of Students Inaccurately Reported	Overpayment
2016-17	1	\$11,518
2017-18	1	\$12,033
2018-19	2	\$11,835 ¹²
Totals	4	\$35,386

The District received documentation that a foster student was adopted prior to the 2016-17 school year; however, the District inaccurately reported this student as a foster student for the 2016-17, 2017-18, and part of the 2018-19 school year. Additionally, the District reported one student as a foster student in the 2018-19 school year but could not provide documentation to demonstrate that the student met all four eligibility requirements to be reported as a foster student.

Significant Internal Control Deficiencies

The District did not have adequate internal controls over the process of the identification, categorization, and reporting of foster student data. The District relied solely on one employee to identify, categorize, and report foster students. This information was not reviewed prior to it being reported to PDE. A review of this nature most likely would have revealed the errors we identified in this finding. A reconciliation to source documents to ensure each foster student met the eligibility requirements

¹² Even though there were two students inaccurately reported in the 2018-19 school year, the overpayment is less than the overpayment in the 2017-18 school year due to a combination of the District’s different tuition rate and the total number of days the students were inaccurately reported in the 2018-19 school year.

was not performed during the audit period. Additionally, the District did not have written policies and procedures to direct its employees in properly identifying and categorizing foster students. While our testing identified only four errors, we note the potential for more costly errors impacting the District's foster student reimbursements if internal controls are not implemented.

Future Reimbursement Adjustment:

We provided PDE with documentation detailing the reporting errors we identified for the 2016-17, 2017-18, and 2018-19 school years. We recommend that PDE adjust the District's future reimbursement amount by the \$35,386 that we calculated as an overpayment.

Recommendations

The *Laurel Highlands 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 adequately 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. Perform a reconciliation of the foster student data to source documents before reporting to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's future nonresident student reimbursements to resolve the overpayment of \$35,386.

Management Response

District management provided the following response:

“Due to the movement from Foster Care to Adoption over a long period of time, the District agrees with the findings. However, the District would like to note that this oversight is not indicative of normal operating procedures. Likewise, internal procedures, protocols, and training of needed parties have been put in place to prevent future episodes.”

Auditor Conclusion

We are encouraged that the District recognizes the importance of having established procedures and internal controls over the process of categorizing and reporting nonresident foster students, and intends to implement our recommendations. We will evaluate the effectiveness of the District’s corrective actions during our next audit.

Finding No. 3

The District Did Not Ensure that Its Contracted Bus Drivers Had All the Required Clearances and Qualifications

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

Statutory and Regulatory Requirements

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 did not implement sufficient internal controls to meet its statutory obligations related to the employment of individuals having direct contact with students during the 2021-22 school year by not maintaining, reviewing, and monitoring required qualifications and background clearances for contracted drivers transporting students. Our review found that the District placed complete reliance on the contractor for obtaining and evaluating required driver documents. Additionally, the District’s Board of School Directors (Board) did not approve individual drivers as required. Overall, we determined that the District did not implement sufficient internal controls to meet these obligations.

Finally, the District was not following its own Board approved *Contracted Services* policy that requires the District to centrally maintain information for contracted employees and determine employment eligibility. 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 and van drivers, including the PSC, the Child Protective Services Law (CPSL), and the Pennsylvania Vehicle Code. The District and its Board are responsible for the selection and approval of eligible operators who qualify under the applicable laws and regulations.¹³ Therefore, the District should have a strong system of internal controls over its 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 annual physical exam documents are on file.

¹³ 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).

- 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 policies and procedures specific to reviewing and monitoring driver qualification and clearance documents, including contracted drivers.
- Training on bus driver qualification and clearance requirements for employees responsible for driver records.

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,¹⁴ 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 [PSP] clearance).
 - b. Federal Criminal History Record, 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.¹⁵

Inadequate Internal Controls Resulted in Driver Documentation Deficiencies and a Lack of Board Approval for All Drivers

We reviewed driver information for the 2021-22 school year. The District utilized two transportation contractors to provide bus and van drivers (drivers) to transport students. The results of our review revealed that the District was placing complete reliance on its contractors for providing all driver documentation, and the District did not have adequate internal controls in place to properly oversee its contracted drivers.

¹⁴ Pennsylvania’s Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

¹⁵ 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 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).

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).

The internal control weaknesses we identified are described in the following narrative and apply to the results of testing of records for drivers from both contractors.

No Independent Driver List Maintained by the District

In order to determine compliance with the driver clearance and qualification requirements, we requested a comprehensive list of all drivers used to transport students for the 2021-22 school year. We found that the District did not maintain its own list of contracted drivers, and instead, relied on its contractors to provide the District with a list of drivers prior to the start of the school year. Therefore, the District was unaware who was transporting its students and whether those drivers were eligible to transport students. Both lists provided by the District (one for each contractor) were created by the contractors without an independent verification process by the District. We also learned that the District was presenting the contractors’ lists to the Board for approval without a District review process.

Incomplete Driver Records and Over Reliance on the Contractors

We requested the driver personnel files for all 82 contracted drivers used to transport students for the 2021-22 school year. We reviewed the files and found that required documentation was either missing or expired for 45 of the 82 drivers (55 percent). In fact, the District did not have any of the required documentation for nine of those drivers. These documentation deficiencies occurred because the District was relying upon the contractors to provide updated and current documentation without an independent review process or any internal monitoring taking place.

After we brought the documentation discrepancies to the District’s attention, District officials worked with both contractors to obtain the missing or expired documentation. Upon our follow-up review, we found that the District had obtained most of the required documentation; however, five drivers still had missing or expired clearances. Consequently, the District could not provide assurance that these five drivers were qualified and cleared to transport students, which continues to potentially jeopardize student safety.

In addition to the missing and expired documents, we found that several driver files had only the receipt of payment for the PSP clearance on file and not the actual clearance itself. We also found that multiple driver files contained an FBI clearance noted as being an “Unofficial Copy.” These unofficial copies clearly denote that the copy of the clearance is for the driver’s use only and cannot be used as the official copy that is to be reviewed by the driver’s prospective employer.¹⁶ The unofficial copy

¹⁶ For clearances that must be obtained every five years, it is the **current** employer rather than the prospective employer who must obtain the official copy.

*Criteria relevant to the finding
(continued):*

District Policy

Board Policy 818, *Contracted Services*, states in relevant part: “The Board is required by law to ensure that independent contractors and their employees comply with mandatory background check requirements. The superintendent or designee shall ensure that all contractors submit for each of the contractor’s prospective employees prior to employment...”

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>)

Further, see PDE’s “Background Checks Portability” web site guidance regarding aligning school policies concerning background checks for employees and contractors with the provisions of the PSC and CPSL (<https://www.education.pa.gov/Educators/Clearances/FAQ/Pages/Portability.aspx#>).

gives specific instructions which detail that PDE’s electronic system enables only administrators of public schools to review the **official** FBI clearance online. The instructions also state that it is the responsibility of the administrator to review the FBI clearance and make a determination as to the fitness of a driver to work in a position that places that individual in contact with children.

In accordance with the instructions, a District administrator should have accessed the electronic system and reviewed the official copy of the FBI clearance. As previously stated, the District did not implement an internal monitoring procedure or system to ensure that clearances and qualifications for contracted drivers were reviewed, including accessing the official FBI clearances in a timely manner. Without this critical information, the District could not evaluate the driver’s fitness to transport students.

The fact that the District did **not** have established internal control procedures to obtain, maintain, review, and monitor driver qualification and background clearance requirements, as well as its over-reliance on the contractors to provide all driver related information, is problematic. For example, we found that two drivers had convictions that were unknown to District officials and, therefore, the District did not evaluate the convictions to determine whether these individuals were eligible for employment. While we ultimately concluded that these convictions did **not** adversely impact the individuals’ eligibility for employment, the fact remains that the District failed in its duty and responsibility to review all required employment documentation and determine if drivers are eligible to transport its students.

Overall, the District did not have the necessary internal controls in place to meet its responsibilities and to ensure compliance with driver requirements. While District officials asserted that they review and approve all drivers prior to them transporting students, our audit procedures identified multiple documentation deficiencies indicating that the review process was not being completed.

A standardized review process and the ongoing monitoring of qualifications and clearances are key internal controls important to ensuring compliance with the statutory and regulatory requirements. When these internal controls are not 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 to know who is actually driving the vehicles transporting the District’s students at all times.

By not obtaining, reviewing, and centrally maintaining driver files, the District and its Board were not in compliance with the PSC, CPSL, the State Board of Education’s Regulations, and the state Vehicle Code.

Failure to Board Approve All Contracted Drivers

The requirement to Board approve drivers is designed to provide the public with assurance that District administration has determined that authorized drivers have the required qualifications and clearances on file *prior to* employment.¹⁷ We found that the District did **not** present all individual drivers to the Board for approval for the 2021-22 school year. At the August 5, 2021, board meeting, two lists with drivers' names were presented for approval. These lists were prepared by the contractors and one of them was dated March 5, 2021 (prior school year). These lists contained the names of only 70 of the 82 drivers who were identified as having driven during the first week of school, August 30, 2021 through September 3, 2021. Accordingly, twelve drivers drove during the first week of school in the 2021-22 school year without Board approval, as required.

Noncompliance with Board Policy

By not adequately maintaining and monitoring driver requirements, the District failed to follow its own Board approved Policy No. 818, *Contracted Services*, which requires the District to ensure that the contractor and contracted employees comply with mandatory background check requirements. Additionally, the policy requires that information submitted by the contractor be maintained centrally by the District in a manner similar to that of school District employees. By failing to obtain and properly maintain all driver records prior to our initial review, the District was not in compliance with its own Board policy.

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 its contracted drivers. Specifically, the District and its Board did not comply with all applicable laws, regulations, and PDE guidance documents when it failed to have the Board approve individual drivers and when it did not obtain, review, and monitor all required driver qualifications and clearances, including, in some cases, failing to obtain official FBI clearances. Instead, the District placed complete reliance on its contractors to determine driver eligibility, which is insufficient under the law and related regulations. Finally, the District did not comply with its own Board approved *Contracted Services* policy.

¹⁷ Section 23.4(2) of Chapter 23 (pupil Transportation) of the State Board of Education's regulations in Title 22 provides that: "[t]he board of directors of a school district is responsible for all aspects of pupil transportation programs, including the following: *** (2) The selection and approval of appropriate vehicles for use in district service and eligible operators who qualify under the law and regulations." See 22 Pa. Code § 23.4(2).

Ensuring that ongoing qualification 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 *Laurel Highlands 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:
 - The District obtains a comprehensive list of drivers at the beginning of each school year that is maintained and updated throughout the school year with any changes.
 - All required qualification and clearance documents are obtained, reviewed, and on file at the District and that only individual drivers determined eligible by District administration are presented to the Board for approval.
 - All driver qualification and clearance documentation is monitored on a regular basis sufficient to ensure continued compliance with requirements.
2. Comply with all applicable laws and regulations to obtain, review, and maintain required qualification and clearance documentation for all drivers. Further, the District must ensure it obtains and reviews the **official** FBI clearance and actual PSP clearance results.
3. Ensure that all drivers, including new drivers added throughout the school year that the District administration determined to be eligible to transport students, are presented to the Board for approval prior to allowing the drivers to transport students.
4. Implement procedures to ensure compliance with the Board's *Contracted Services* policy, including the provision to centrally maintain clearance documentation for contracted employees.

Management Response

District management provided the following response:

“Due to the numerous issues and challenges associated with COVID-19, the Laurel Highlands SD (District) was not spared as we encountered identical stresses the nation experienced with the lack of and, ebb and flow of drivers. Likewise, the driver list we received from the bus vendor was splattered with drivers who were leaving and coming on as employees. In

addition, most if not all transportation vendors experienced delays in services from State and Federal verification systems. To that end, it is not customary and/or common practice for the District to experience the level of oversight stated in the audit summary. Conversely, the District takes the health, safety, and welfare of students as a top priority, and in similar cases, establishes and maintains a high degree of safety protocols to ensure the PDE code is being held to the highest standard.

“In an effort to correct the oversights cited in the audit, the District has implemented an internal control system whereby we are able to access the vendor's driver qualifications and background clearances as they are submitted as opposed to having onetime access at the start of the school year. Second, we will cease allowing a driver who has approved clearances to work and becomes eligible for employment between School Board meetings to drive. In short, we will advise the vendor and potential driver that until the official school board meeting and approval vote no employment will take place. Finally, we will establish and maintain an internal control system to cross-reference the driver qualification and background clearance verification process that includes District personnel to authenticate all driver clearance documentation.”

Auditor Conclusion

While we are encouraged by the fact that the District recognizes the critical importance of obtaining and reviewing all driver clearances and qualifications prior to that driver transporting District students, we continue to stress that it is incumbent upon the appropriate District official to access and print the “official” FBI clearance document for review. We also emphasize the importance of establishing a proactive and verifiable monitoring system to track expiration dates of licenses and clearances that require periodic renewal. We will assess the District’s implementation of our recommendations and assess the effectiveness of any other corrective actions taken by the District during our next audit.

Status of Prior Audit Findings and Observations

Our prior Limited Procedures Engagement of the Laurel Highlands 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,¹⁸ 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, Nonresident Student Data, Bus Driver Requirements, Financial Stability, 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, 2016 through June 30, 2020. 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.¹⁹ *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.²⁰ 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.

¹⁸ 72 P.S. §§ 402 and 403.

¹⁹ 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.

²⁰ 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	
Transportation	Yes				X			X	X		X		X	X	X	X	X		
Nonresident Student Data	Yes				X			X	X		X		X	X	X	X			
Bus Drivers	Yes										X		X			X	X		
Financial	No																		
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, 2016 through June 30, 2020 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?²¹
 - ✓ To address this objective, we assessed the District’s internal controls for obtaining, processing, and reporting transportation data to PDE. For all vehicles reported to PDE as transporting students for the 2016-17 through 2019-20 school years, we requested odometer readings, student rosters, and supporting documentation for the number of days vehicles were used to transport students.²² The District did not maintain the required supporting documentation for any vehicle for any year; therefore, we were unable to determine the accuracy of the regular transportation reimbursement the District received from PDE for the audit period.
 - ✓ We also assessed the District’s internal controls for inputting, categorizing, and reporting nonpublic school student data to PDE. We requested and reviewed individual “requests for transportation” and vehicles rosters for all 153 nonpublic school students reported as transported in the 2016-17 through 2019-20 school years.²³
 - ✓ Finally, we assessed the District’s internal controls for categorizing and reporting students who were reported as reimbursable due to residing on a Pennsylvania Department of Transportation hazardous walking route. We requested supporting documentation for all students reported as reimbursable due to residing on hazardous walking routes for the 2016-17 through 2019-20 school years and students

²¹ See 24 P.S. § 25-2541(a).

²² The District reported that is used 53 contracted vehicles to transport students during the 2016-17 school year, 55 contracted vehicles during the 2017-18 school year, 60 contracted vehicles during the 2018-19 school year, and 52 contracted vehicles during the 2019-20 school year.

²³ The District reported that it transported 39 nonpublic school students for the 2016-17 school year, 21 nonpublic school students for the 2017-18 school year, 37 nonpublic school students for the 2018-19 school year, and 56 nonpublic school students for the 2019-20 school year.

reported as not reimbursable.²⁴ The District did not maintain the required supporting documentation for these students; therefore, we were unable to determine the accuracy of the regular transportation reimbursement the District received from PDE for the audit period.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Those results are detailed in the Finding No. 1 beginning on page 7 of this report.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?²⁵
- ✓ To address this objective, we assessed the District’s internal controls over inputting and processing residency status and reporting nonresident foster students to PDE. We reviewed all 42 nonresident foster students reported to PDE during the audit period.²⁶ We reviewed documentation to verify that the custodial parent or guardian was not a resident of the District and that the foster parent(s) received a stipend for caring for the student. We also determined if the District received the correct reimbursement for the education of these nonresident students.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Those results are detailed in the Finding No. 2 beginning on page 14 of this report.

Bus Driver Requirements

- Did the District ensure that all bus drivers transporting District students are approved by the Board of School Directors (Board) and had the required driver’s license, physical exam, training, background checks, and clearances²⁷ as outlined in applicable laws?²⁸ 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 bus driver qualification documents and procedures for being made aware of who transported students daily. We determined if all drivers were Board approved by the District prior to transporting students. We reviewed all 82 contracted drivers transporting District students as of September 3, 2021. We reviewed documentation to ensure that the District complied with the requirements for bus drivers’ qualifications and clearances for those drivers. We also determined if

²⁴ The District reported the following number of students residing on a hazardous walking route for each school year: 298 students during the 2016-17 school year; 100 students during the 2017-18 school year; 254 students during the 2018-19 school year; and 248 students during the 2019-20 school year.

²⁵ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

²⁶ The District reported 12 nonresident foster students for the 2016-17, 2017-18, and 2018-19 school years and reported 6 nonresident foster students for the 2019-20 school year.

²⁷ 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.

²⁸ 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.

the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physicals.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to the objective. Those results are detailed in the Finding No. 3 beginning on page 18 of this report.

Financial Stability

- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
- ✓ To address this objective, we reviewed the District's annual financial reports, General Fund budgets, and independent auditor's reports for the 2015-16 through 2019-20 fiscal years. The financial and statistical data were used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators were based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics.

Conclusion: The results of our procedures for 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?²⁹ 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, training schedules, safety committee meeting minutes, vulnerability assessments, anti-bullying policies, school climate surveys, after action reports, and memorandums of understanding with local law enforcement to assess whether the District had implemented basic safety practices. In addition, we conducted a building walk-through at one building subjectively selected based upon location, to assess whether the District had implemented basic safety practices.³⁰

Conclusion: Due to the sensitive nature of school safety the results of our review for this 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?³¹ 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?

²⁹ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

³⁰ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and emergency preparedness.

³¹ Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

- ✓ To address this objective, we obtained and reviewed the District's fire and security drill documentation for all six District 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* that the District filed with PDE and compared the dates reported to the supporting documentation.

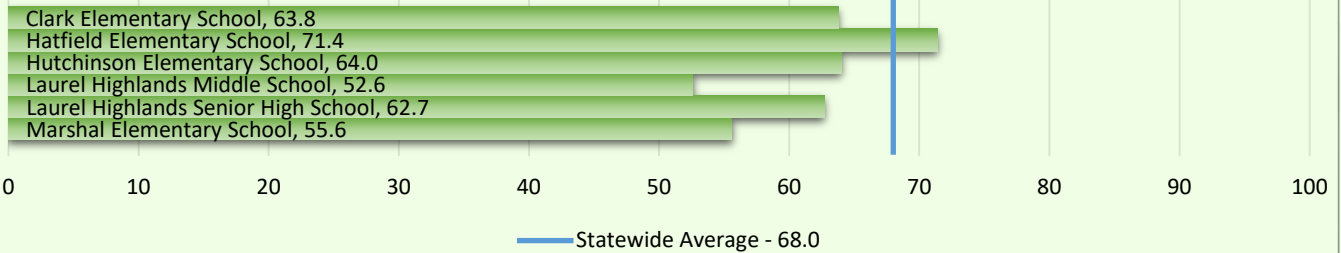
Conclusion: The results of our procedures for this objective did not disclose and reportable issues.

Appendix B: Academic Detail

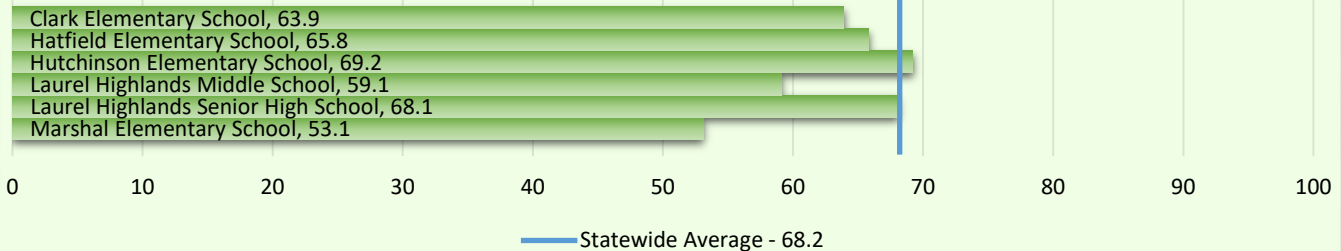
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.³² Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.³³

SPP School Scores Compared to Statewide Averages

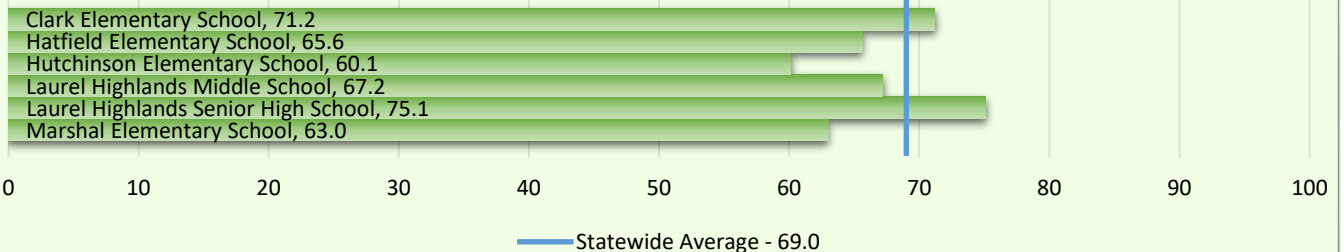
2018-19



2017-18



2016-17

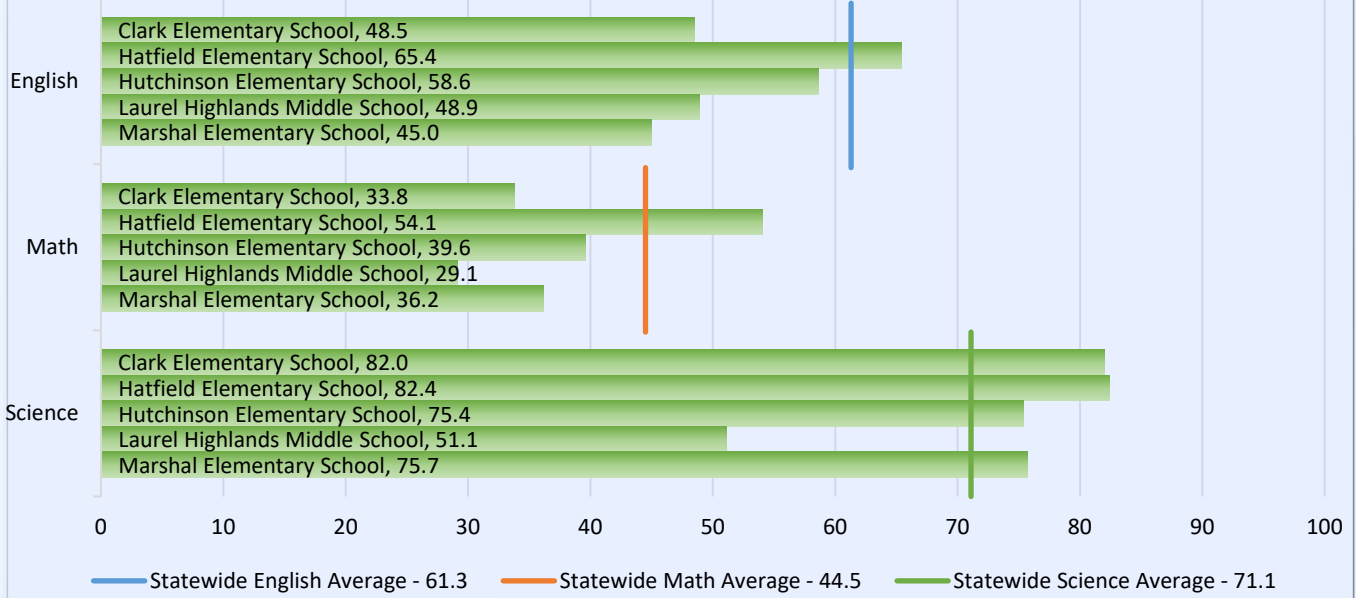


³² Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

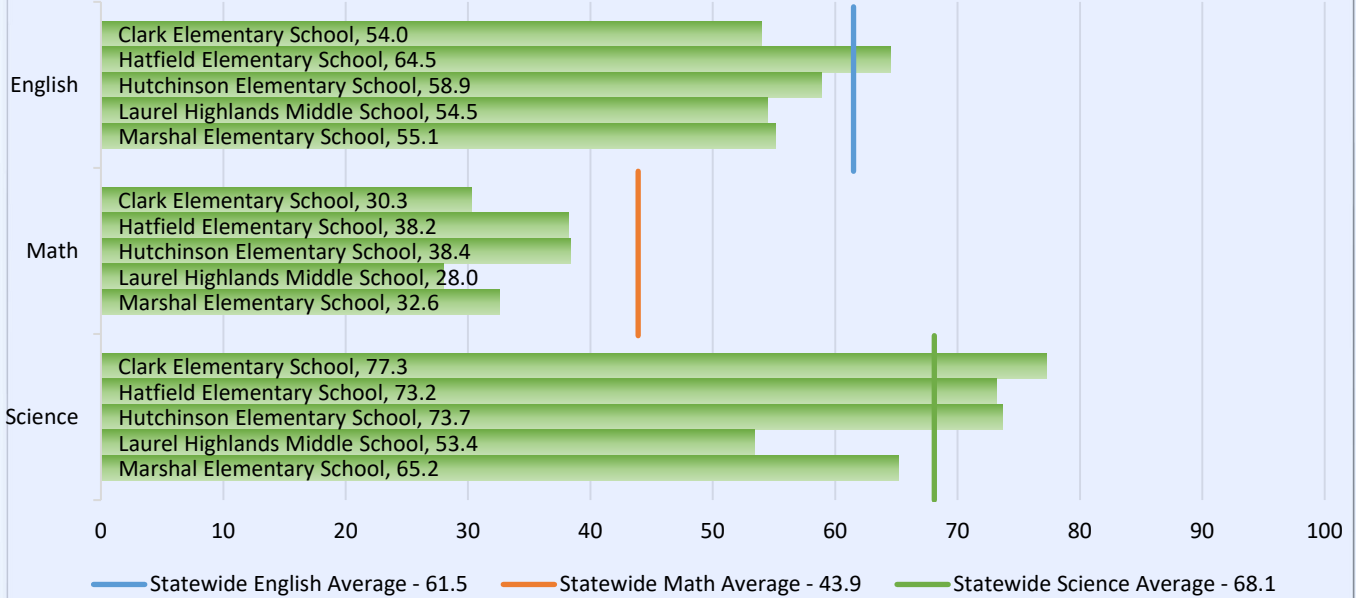
³³ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

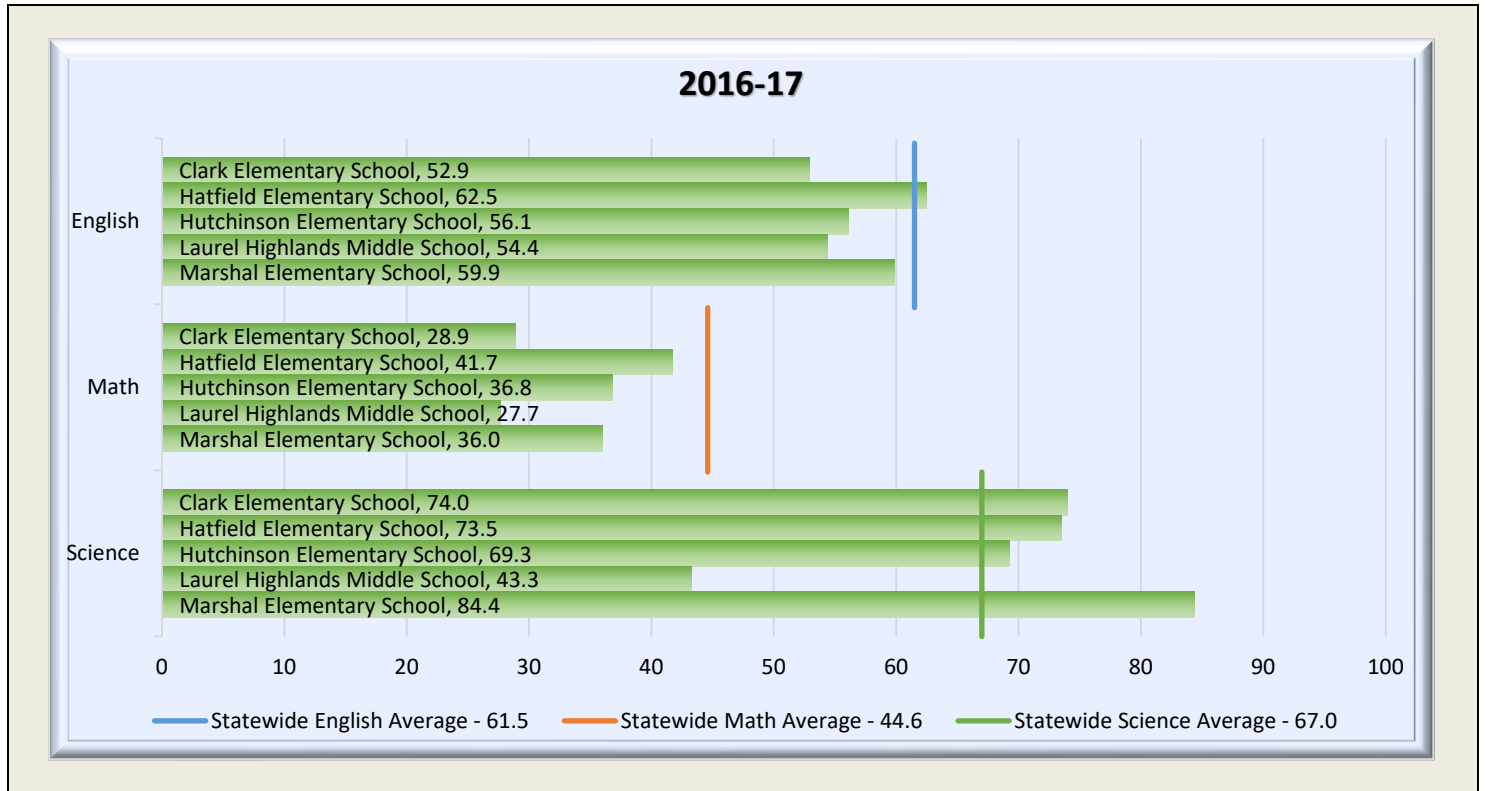
2018-19



2017-18

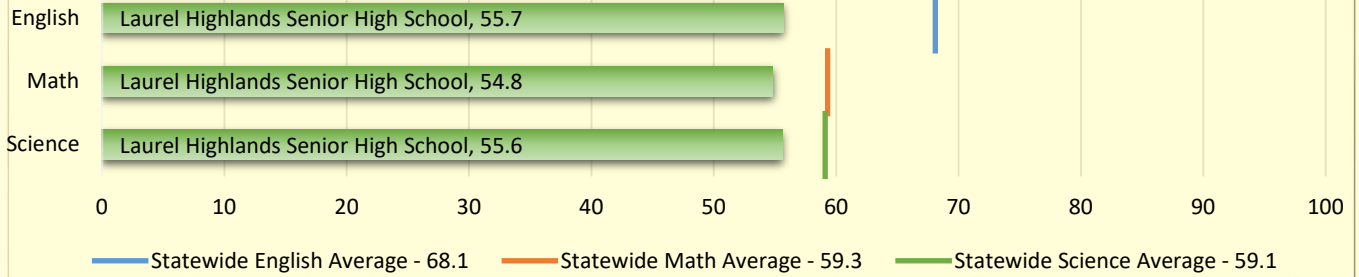


**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

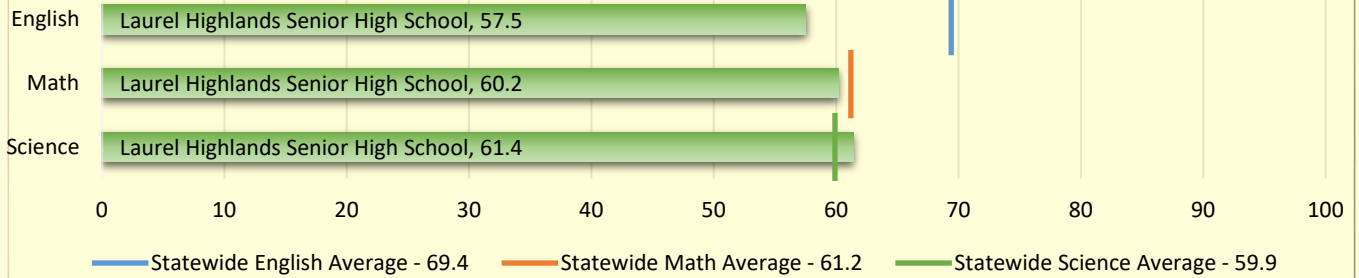


**Keystone Advanced or Proficient Percentage
School Scores Compared to Statewide Averages**

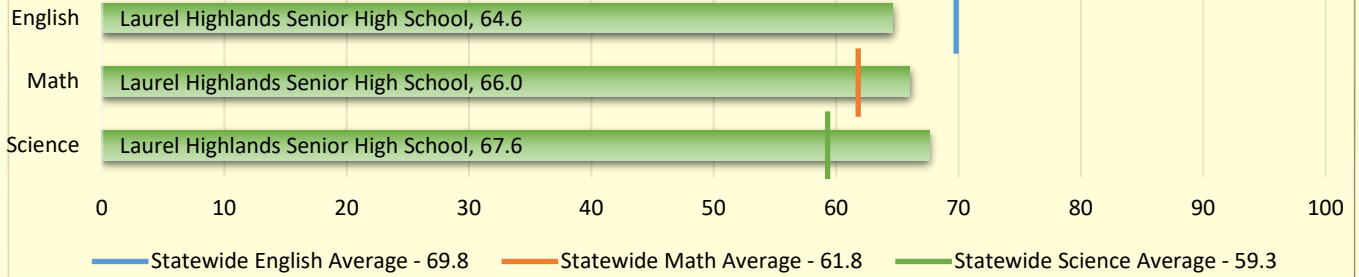
2018-19



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:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Noe Ortega+
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Stacy Garrity
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Jessica Sites
Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Nathan Mains
Executive Director
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.