

# PERFORMANCE AUDIT

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## New Castle Area School District Lawrence County, Pennsylvania

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April 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mrs. Debra A. DeBlasio, Superintendent  
New Castle Area School District  
420 Fern Street  
New Castle, Pennsylvania 16101

Mrs. Stacey Fleo, Board President  
New Castle Area School District  
420 Fern Street  
New Castle, Pennsylvania 16101

Dear Mrs. DeBlasio and Mrs. Fleo:

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

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

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

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit identified areas of noncompliance and significant internal control deficiencies in the areas of transportation operations, nonresident student data, and bus driver requirements. These deficiencies are detailed in the three findings of this report. A summary of the results is presented in the Executive Summary section of this report.

In addition, we found that the District performed adequately in the areas of administrator separations and financial stability and no significant internal control deficiencies were identified in the administrator separations objective.

Mrs. Debra A. DeBlasio

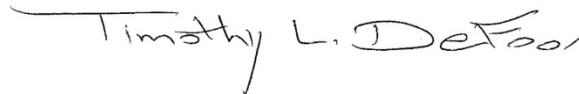
Mrs. Stacey Fleo

Page 2

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

We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal flourish extending to the left.

Timothy L. DeFoor  
Auditor General

April 16, 2021

cc: **NEW CASTLE AREA SCHOOL DISTRICT** Board of School Directors

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## Executive Summary

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the New Castle Area 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 three findings.

#### **Finding No. 1: The District's Failure to Implement Internal Controls Resulted in an Unauditable \$3.1 Million in Regular Transportation Reimbursements and a \$197,663 Duplicate Reimbursement for the Same Transportation Expenses for an After-School Program.**

The District did not implement an internal control system over the input, calculation, and reporting of regular transportation data. Consequently, we found the following issues related to the transportation reimbursement the District received from the Pennsylvania Department of Education (PDE): the District was unable to provide the documentation needed to fully audit the more than \$3.1 million it received in regular transportation reimbursements from PDE and was reimbursed twice for

transportation expenses related to an after-school program resulting in a \$197,663 overpayment (See page 7).

#### **Finding No. 2: The District's Failure to Implement Internal Controls Led to Inaccurate Reporting of Nonresident Student Data Resulting in an Overpayment of \$81,000.**

We found that the District failed to implement internal controls over the categorization and reporting of nonresident student data resulting in an \$81,000 overpayment from PDE. This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2015-16 through 2018-19 school years (See page 14).

#### **Finding No. 3: The District Failed to Implement Sufficient Internal Controls That Led to Noncompliance with Statutory Obligations by Not Maintaining Complete Records for and Properly Monitoring Its Contracted Bus Drivers.**

The District failed to meet its statutory obligations under the Public School Code and associated regulations to its oversight of contracted school bus and van drivers having direct contact with students during the 2019-20 school year. Specifically, we found the District did not adequately maintain, review, and monitor records for all drivers transporting students. We also found that the District's Board of School Directors approved drivers whose background clearances were not on file at the District and failed to approve three drivers added by the contractor during the school year (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 2019-20 School Year*	
County	Lawrence
Total Square Miles	363
Number of School Buildings	4
Total Teachers	213
Total Full or Part-Time Support Staff	146
Total Administrators	12
Total Enrollment for Most Recent School Year	3,200
Intermediate Unit Number	4
District Career and Technical School	Lawrence County Career and Technical Center

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

## Mission Statement\*

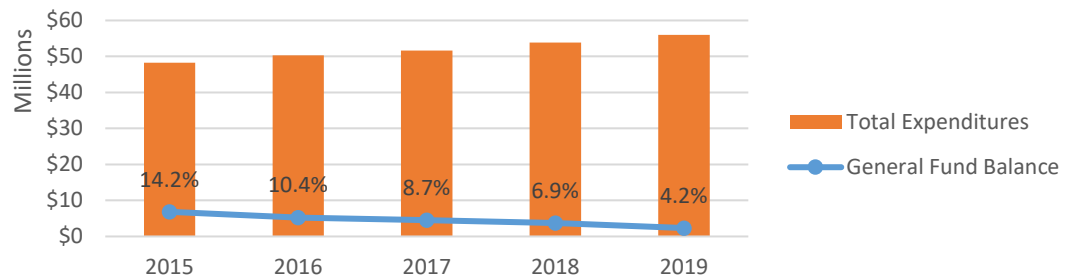
To create a safe and respectful learning environment, fostered by collaborative community partnerships, where all students will develop necessary skills both academically and socially that will prepare future-ready life-long learners who will become productive citizens and resilient leaders in a global society.

## Financial Information

The following pages contain financial information about the New Castle Area 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**.

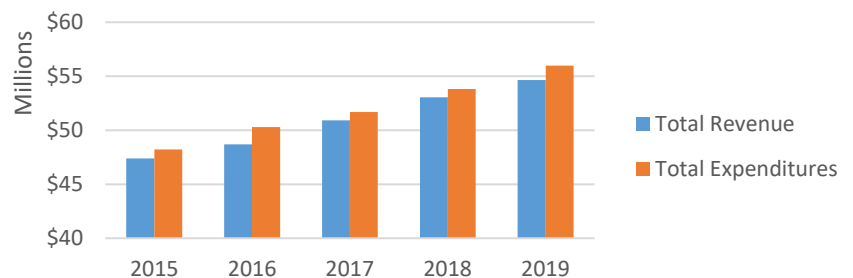
### General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2015	\$6,841,284
2016	\$5,249,775
2017	\$4,500,991
2018	\$3,703,753
2019	\$2,341,176



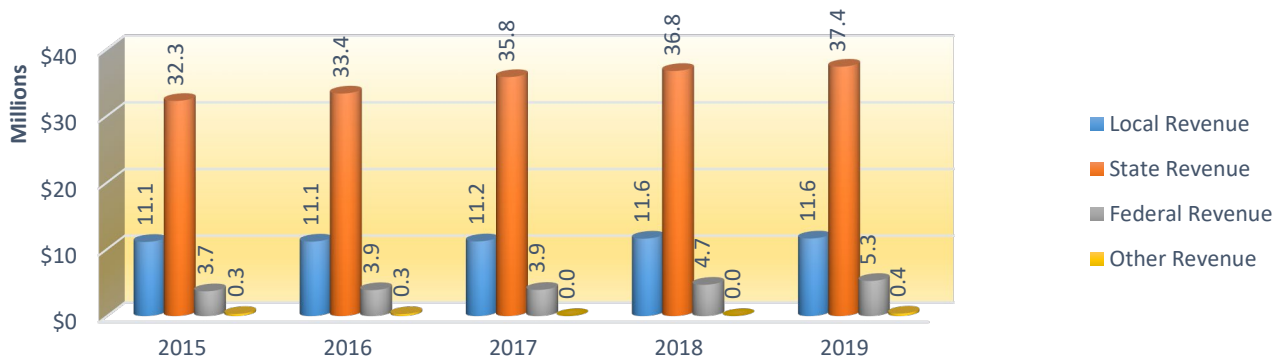
### Revenues and Expenditures

	Total Revenue	Total Expenditures
2015	\$47,376,843	\$48,219,215
2016	\$48,693,837	\$50,285,345
2017	\$50,929,096	\$51,677,881
2018	\$53,036,951	\$53,834,189
2019	\$54,634,734	\$55,997,312

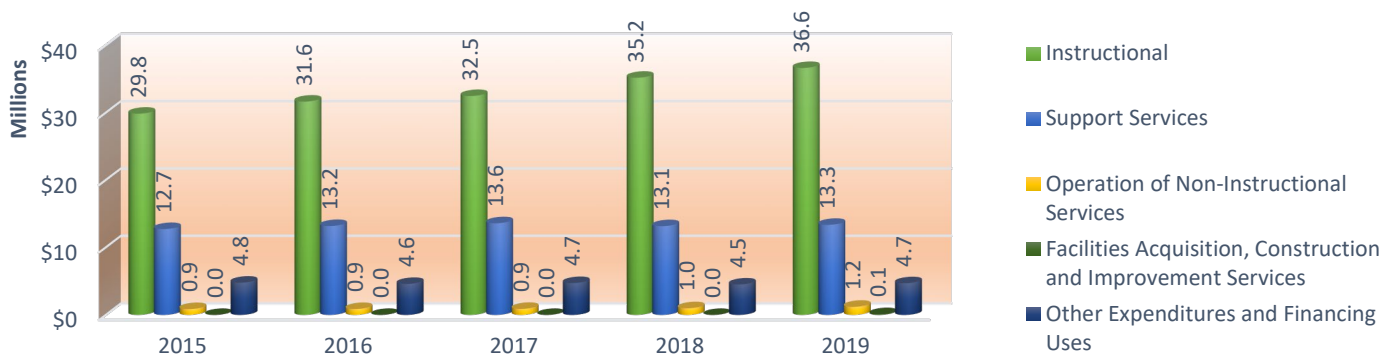


## Financial Information Continued

### Revenues by Source

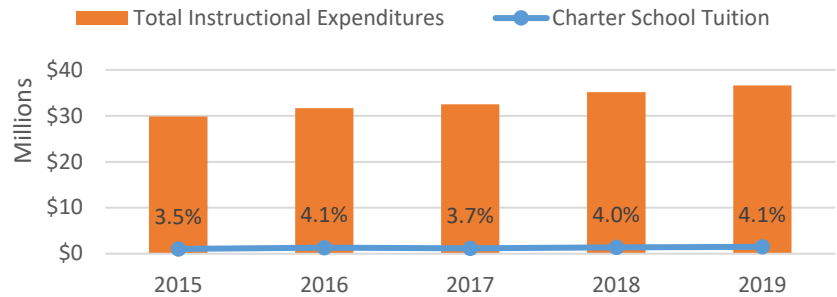


### Expenditures by Function

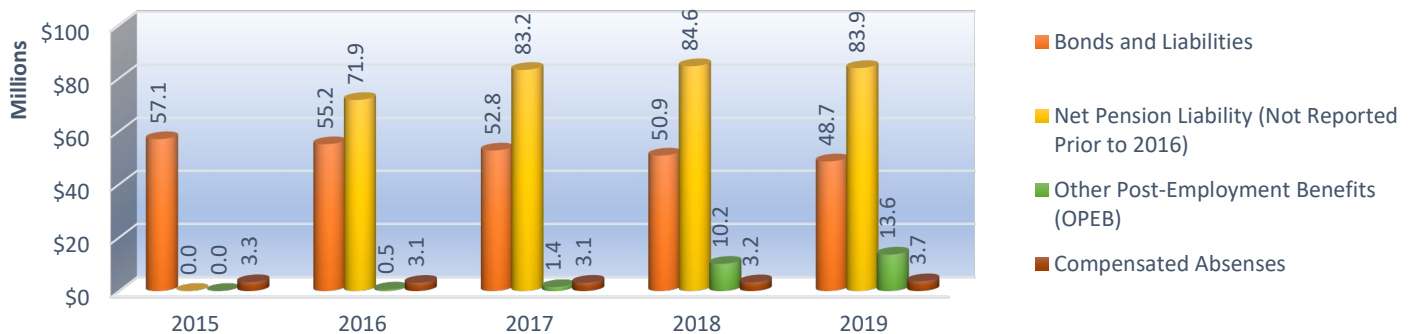


### Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2015	\$1,045,865	\$29,848,516
2016	\$1,309,935	\$31,645,793
2017	\$1,198,414	\$32,478,126
2018	\$1,417,030	\$35,191,222
2019	\$1,495,718	\$36,639,863



### Long-Term Debt

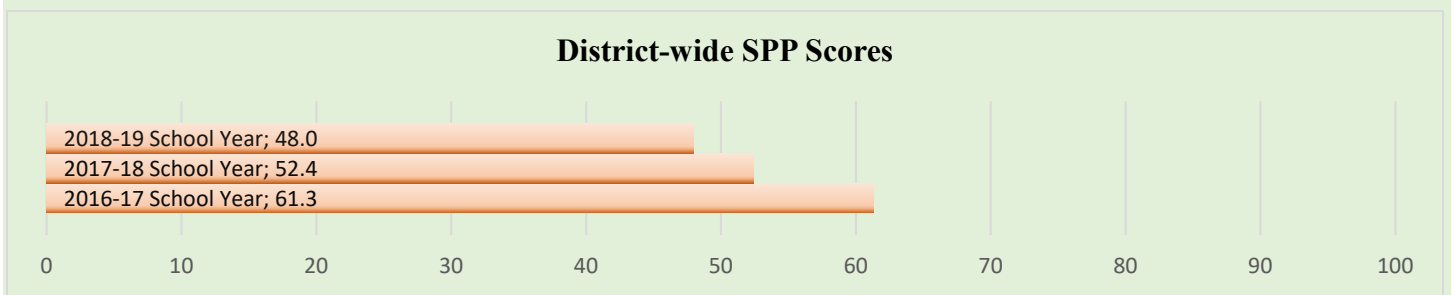


## Academic Information

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.<sup>1</sup> 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.<sup>2</sup>



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

<sup>2</sup> 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.

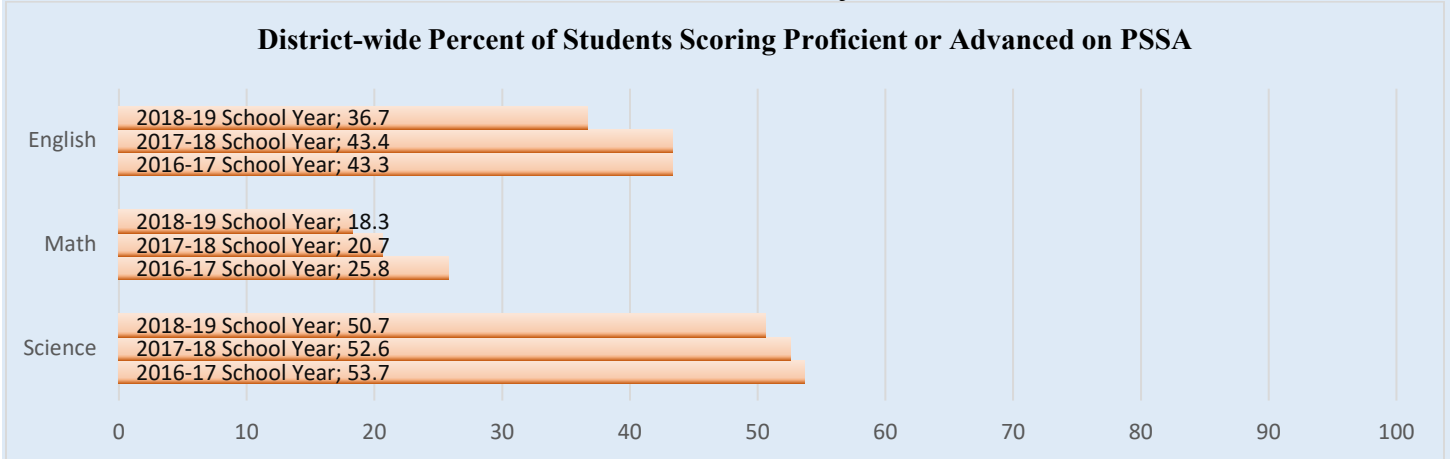


## Academic Information Continued

### What is the PSSA?

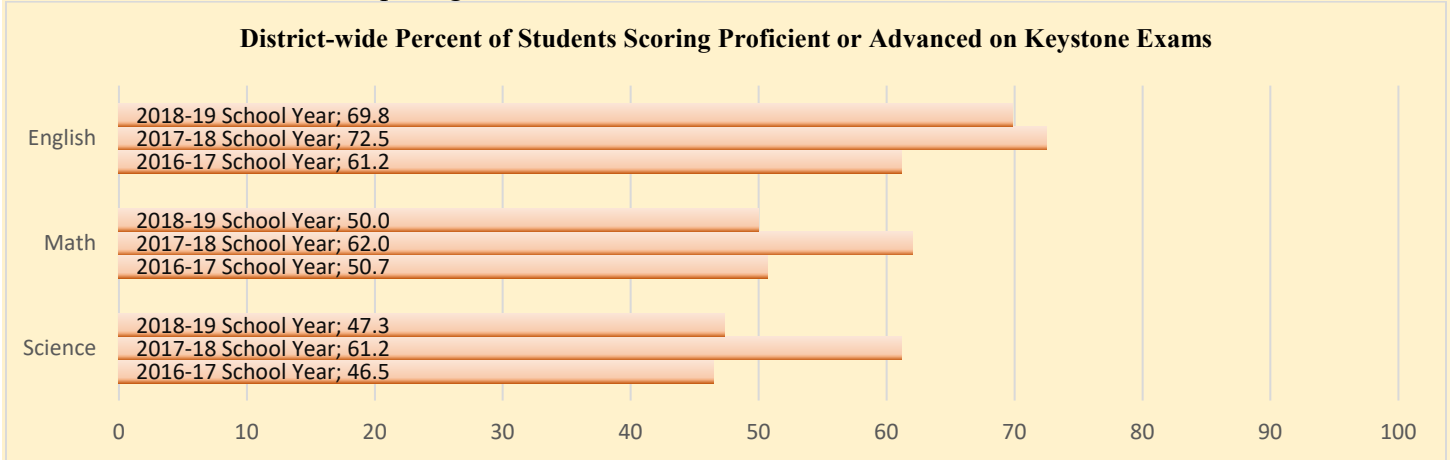
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, 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.<sup>3</sup> In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

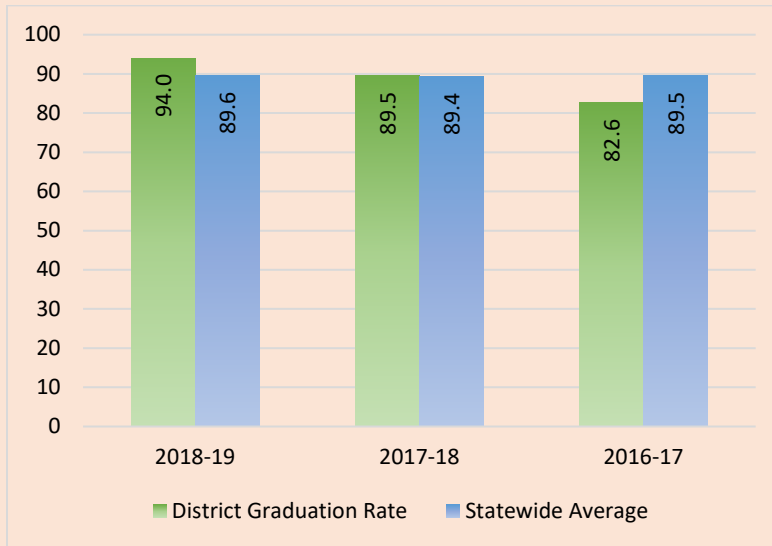


<sup>3</sup> Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (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.<sup>4</sup>



<sup>4</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information:  
<http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate.aspx>.

## Findings

### Finding No. 1

### The District's Failure to Implement Internal Controls Resulted in an Unauditable \$3.1 Million in Regular Transportation Reimbursements and a \$197,663 Duplicate Reimbursement for the Same Transportation Expenses for an After-School Program

#### Criteria relevant to the finding:

#### Student Transportation Subsidy

Section 2541(a) of the Public School Code (PSC) states, in part: "School districts shall be paid by the Commonwealth for every school year on account of pupil transportation which... have been approved by the Department of Education... 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).

#### Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC, which is entitled, "Sworn statement of amount expended for reimbursable transportation; payment; withholding" of the PSC states, in part: "Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied with the law or regulations of the State Board of Education." (Emphases added.). See 24 P.S. § 25-2543.

The New Castle Area School District (District) did not implement an internal control system over the input, calculation, and reporting of regular transportation data. Consequently, we found the following issues related to the transportation reimbursement the District received from the Pennsylvania Department of Education (PDE):

- The District was unable to provide the documentation needed to fully audit the more than \$3.1 million it received in regular transportation reimbursements from PDE.
- The District was reimbursed twice for transportation expenses related to an after-school program resulting in a \$197,663 overpayment.

**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. The errors and lack of documentation identified in this finding pertain to the District's regular transportation reimbursement.

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, maintain records for these students, and accurately report this data to PDE. Further, the District must 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 transportation operations, which should include, but not be limited to, the following:

- Segregation of duties
- Written procedures
- Training on PDE reporting requirements

It is also important to note that the PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for transportation

*Criteria relevant to the finding  
(continued):*

**The Pennsylvania Department of Education (PDE) instructions for Local Education Agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE.** <http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (Accessed on 12/2/20)

Daily Miles With

Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average

Daily Miles Without

Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Pupils Assigned

Report the greatest number of pupils assigned to ride this vehicle at any one time during the day. Report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned changed during the year, calculate a weighted average or a sample average.

*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. . . ."

reimbursements.<sup>5</sup> The sworn statement includes the superintendent's signature attesting to the accuracy of the reported data. Because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide the confidence needed to sign the sworn statement.

**Insufficient Documentation to Audit \$3.1 million in Transportation reimbursements.**

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

The District relied on its transportation contractor to calculate the miles traveled and average numbers of students transported, identify vehicles used to transport students, and calculate the number of days each vehicle provided transportation. The contractor submitted the final numbers to the District on a summary sheet at the end of the year, and the District then reported this data to PDE without reviewing the supporting documentation to ensure the accuracy of the data. We asked for documentation to support the contractor's summary sheet and the District provided us with an eight-month average calculation sheet which we reviewed and found that a majority of the numbers did not agree with the summary sheet.

We brought these discrepancies to the District's attention but it was unable to provide the supporting documentation for miles and students necessary to reconcile the differences between the two reports for any of the four years in the audit period. Without the supporting documentation, we were unable to audit the regular transportation data reported to PDE.

Even though we were unable to audit the reported data, a cursory review of the reported data as detailed in Table No. 1 shows irregularities that warrant further review. For example, the District reported that it transported fewer students during the 2018-19 school year than in any other school year reviewed, but used more vehicles, had more annual miles, and received more total reimbursement.

<sup>5</sup> See 24 P.S. § 25-2543.

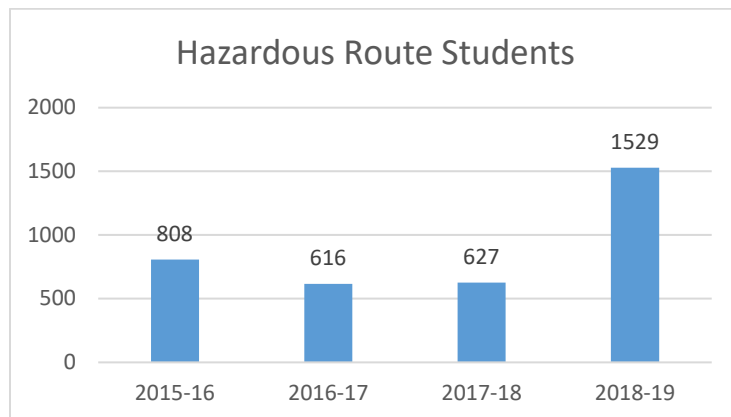
**Table No. 1**

New Castle Area School District Transportation Data Reported to PDE				
School Year	Reported Number of Students	Reported Number of Vehicles	Reported Number of Miles	Total Reimbursement Received
2015-16	2,674	36	374,006	\$ 715,696
2016-17	2,657	34	359,655	\$ 740,668
2017-18	3,285	30	332,601	\$ 771,153
2018-19	2,492	37	402,000	\$ 912,057
<b>Totals</b>	<b>11,108</b>	<b>137</b>	<b>1,468,262</b>	<b>\$3,139,574</b>

Our review of the reported data over the four-year period also highlighted another area where it appears that the District reported inaccurate information.

Students transported fall into multiple reporting categories including, but not limited to, students transported and eligible for reimbursement due to residing on a Pennsylvania Department of Transportation (PennDOT) determined public hazardous walking route and 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 of the transportation data that the District reported to PDE, we noted an unusually high number of students reported by the District in the hazardous route category for the 2018-19 school year as shown in the graph below.



When asked about this unusual variance, District officials acknowledged that their procedures for reporting this data changed in 2017-18 and the numbers reported for both the 2017-18 and 2018-19 school years were inaccurate. Again, without sufficient documentation to fully audit these

numbers, we could not determine the accuracy of the District’s regular transportation reimbursements for all four audit years. Although we could not fully audit the reimbursements, our limited review did disclose an error that is described in detail below.

### **District Reimbursed Twice for Same Transportation Expenses**

School districts can apply for and receive Commonwealth grants to reimburse districts for expenditures related to various educational programs. The District applied for and received grant funding to operate an after-school program. Included in the grant finding was full reimbursement for transportation expenses. Since the District was reimbursed for transportation costs through the grant funding, it was ineligible for reimbursement from PDE.

Our review disclosed that for the 2017-18 and 2018-19 school years, the District reported to PDE the transportation data related to the after-school program even though the transportation expenses were already covered by a Commonwealth grant.<sup>6</sup> Since the vehicles used for the after-school program were reported separately, we were able to identify the ineligible days, miles, and students reported and calculate that the District received a \$197,663 overpayment. Table No. 2 below presents the details of the overpayment.

**Table No. 2**

<b>New Castle Area School District Transportation Reporting Errors - After- School Program</b>				
<b>School Year</b>	<b>Total Days Reported</b>	<b>Annual Miles Reported For Students in After School Program<sup>7</sup></b>	<b>Total Students Reported</b>	<b>Total Overpayment</b>
2017-18	575	8,395	330	\$ 18,449
2018-19	812	78,532	468	\$179,214
<b>Total</b>	<b>1,387</b>	<b>86,927</b>	<b>798</b>	<b>\$197,663</b>

When we questioned the District as to why the District reported this data for two school years, District officials acknowledged that due to a lack of adequate training they followed the advice of the contractor to report the data. However, the contractor was unaware that the expenses were already covered by the grant funding. The District agreed it should not have reported any of the vehicle data related to the after-school program to PDE. Consequently, the District was overpaid by \$197,663 in regular transportation reimbursements.

<sup>6</sup> The District received the same Commonwealth grant to fund the after-school program during the 2015-16 and 2016-17 school years; however, the District did not report vehicle data to PDE for this program during those years.

<sup>7</sup> The District reported 5 vehicles with the range of 15 to 17 daily miles for the 2017-18 school year and reported 7 vehicles with a range of 49 to 176 daily miles for the 2018-19 school year. After consulting with its contractor, the District confirmed that the daily miles reported to PDE for the 2018-19 school year was inaccurate.

## Significant Internal Control Deficiencies

Our review revealed that the District did not have adequate controls over the process of collecting, obtaining, maintaining, reviewing, and reporting regular transportation data to PDE.

When we questioned the District about the irregularities and errors we identified in the reported data, we found that the employee responsible for collecting and reporting transportation data was not properly trained on the PDE reporting requirements. We also found that the District did not do the following:

- Implement adequate segregation of duties when it assigned responsibility to just one employee for reporting regular transportation data to PDE without assigning another employee the responsibility of reviewing the data before it is submitted to PDE.
  - A review process of this nature and looking back on prior data reported would have helped identify the unusually high number of students reported in the hazardous student category for the 2018-19 school year.
- Develop detailed written procedures for obtaining and maintaining the documentation needed to accurately report vehicle data to PDE along with reimbursable student counts.
- Ensure it obtains adequate source documentation from its contractors to support the vehicle data reported to PDE.

Furthermore, the employee responsible for the grant invoices, which included reimbursement for transportation expenditures, was unaware of the implications the grant funding would have on reporting transportation data. Therefore, the grant reimbursement for transportation expenditures was never communicated to the employee responsible for reporting transportation data to PDE.

All of the above control deficiencies led to the errors and irregularities discussed in this finding.

**Future Reimbursement Adjustment:** Because we could not fully audit the reported transportation data for accuracy, we were unable to determine the correct amount of transportation reimbursement that the District should have received. However, because we were able to identify one specific error related to the after-school program as noted above, we provided PDE with reports detailing the reporting errors related to the regular transportation reimbursements for the 2017-18 and 2018-19 school years. We recommend that PDE adjust the District's future transportation reimbursements by the \$197,663 that we identified as an overpayment.

## Recommendations

*The New Castle Area 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 employee who prepared the data before it is submitted to PDE.
  - Clear and concise written procedures are developed to document the transportation data collections, 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.

*The Pennsylvania Department of Education* should:

3. Adjust the District's future transportation subsidy to resolve the \$197,663 overpayment for regular transportation reimbursement.

## Management Response

District management provided the following response:

“The District agrees with the Finding as it relates to Transportation Reimbursement.

The District was unaware that the after school bus runs were not reimbursable from the Department of Education because of them being fully reimbursed through the 21<sup>st</sup> Century Grants. The District received an overpayment of \$197,663. This overpayment will be withheld from future transportation subsidy payments.

The District is also in agreement with the position of the State Audit finding as it pertains to insufficient documentation to audit school terms beginning July 2015 through June 30, 2019 total reimbursement of \$3.1m.



### **Specific steps implemented to correct the audit findings**

The District will fully commit to the Audit recommendations as they pertain to Transportation. This will include the following:

- Business Manager or designee will over-see all aspects of the Transportation Department.
- The District is in the process of developing and implementing internal written control procedures that will act as a guide in all future reports.
- The District will develop and implement Administrative guidelines regarding all aspects of Student Transportation.
- Reports provided by Contractor to District will be given on a monthly basis as opposed to quarterly or annually. All reports will be reviewed by Business Manager before being entered by transportation staff.
- Business Manager and all employees that are responsible for any aspect of Transportation will receive annual training from Department of Education as well as the Pennsylvania Association of School Business Officials Organization on an as needed basis.
- The information provided by the Contractor will be reviewed by Business Manager prior to entering into the State Transportation reporting system. The State report will not be uploaded until final review from the Business Manager.

Going forward the District will work closely with the transportation contractor to calculate miles traveled by each bus, average number of students transported, vehicle identification codes and total number of days students were transported. All documents submitted by the Transportation contractor will be reviewed by both the District independently and in consultation with Management from the contractor. Further, the District will specifically implement those recommendations and/or mandates set forth in the Draft Finding as they relate to significant internal control deficiencies.

The District has no objection with the Department of Education remedy regarding the future withholding from transportation subsidy. This is in accordance with the audit recommendation.”

### **Auditor Conclusion**

We are encouraged that the District indicated in its response to the finding that it has already begun implementing procedures to address all of our recommendations. We will review the District’s corrective actions during our next audit of the District.

## Finding No. 2

### The District's Failure to Implement Internal Controls Led to Inaccurate Reporting of Nonresident Student Data Resulting in an Overpayment of \$81,000

#### *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 internal controls over the categorization and reporting of nonresident student data resulting in an \$81,000 overpayment from PDE. This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2015-16 through 2018-19 school years.

**Background:** School districts are entitled to receive Commonwealth-paid tuition for educating certain nonresident students. To be eligible to receive Commonwealth-paid tuition, the student's parent/guardian must not be a resident of the educating district and the student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.<sup>8</sup> Additionally, the district resident must be compensated for the care of the student. These students are commonly referred to as “foster students” and it is the mandate of the educating district to obtain the required documentation to correctly categorize and accurately report these students that the district educated to PDE.

It is essential for school districts to properly identify, categorize, and report foster 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 ensure compliance with PDE requirements
- Reconciliation of source documents to the information reported to PDE

<sup>8</sup> 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).

Section 2561(6) of the PSC outlines the tuition charges for students in other school districts, including the formula for calculating juvenile institution tuition charges, as follows, in part:

“A school district or vocational school district receiving elementary or high school pupils or vocational or other extension education pupils who are residents of another school district or another vocational school district shall compute the tuition charges as follows:\*\*\*

**(6) Institution Tuition Charge.**

When the public school district administers and delivers the educational services required by this act to a child referred to an institution, pursuant to a proceeding under 42 Pa.C.S. Ch. 63 (relating to Juvenile Matters), at the institution itself, the tuition to be charged to the district of residence of such child shall be one and one-half times the amount determined in accordance with clauses (1) through (5), but not to exceed the actual cost of the educational services provided to such child.” (Emphasis in the original.) See 24 P.S. § 25-2561(6).

## Nonresident Student Reporting Errors

The District reported a total of 11 students as nonresident foster students over the four-year audit period. We found that all 11 students were inaccurately reported. The following table details the student reporting errors and the cumulative overpayment.

New Castle Area School District Nonresident Foster Student Data Reporting Errors		
School Year	Reported Number of Foster Students	Commonwealth-Paid Tuition Received <sup>9</sup>
2015-16	3	\$16,807
2016-17	4	\$29,697
2017-18	3	\$24,254
2018-19	1	\$10,242
<b>Totals</b>	<b>11</b>	<b>\$81,000</b>

The District obtained agency placement letters (APL) for 10 of the 11 students reported as foster students. However, none of the APLs contained the information required to support being categorized as a foster student. The District also failed to obtain updated APLs annually for each foster student. A clerical error led to the remaining student being inaccurately reported as a foster student. This specific student’s tuition was required to be paid by a neighboring school district; however, the District inaccurately reported the student as a foster student and as a result, it received Commonwealth-paid tuition as an overpayment.

## Significant Internal Control Deficiencies

During the audit period, the District did not have adequate internal controls over the categorization and reporting of foster students. The District had a decentralized enrollment process which required each building secretary/principal to be responsible for categorizing foster students. Foster students were then reported to PDE for reimbursement without a review by an official knowledgeable on PDE reporting requirements. Furthermore, the District did not have written procedures to assist personnel in accurately identifying foster students and ensuring that the required documentation needed to support this categorization was obtained.

**Future Reimbursement Adjustment:** We provided PDE with documentation detailing the reporting errors we identified for the audit period. We recommend that PDE adjust the District’s future subsidy reimbursement by the \$81,000 that we calculated as an overpayment.

<sup>9</sup> Commonwealth tuition is determined by identifying if the nonresident student is an elementary or secondary school student and the District’s tuition rate for the applicable category.

*Criteria relevant to the finding  
(continued):*

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

“A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the 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.” (Emphasis added.)  
*See 22 Pa. Code § 11.19(a).*

## Recommendations

The *New Castle Area School District* should:

1. Develop and implement an internal control system governing the process for categorizing and reporting foster student data. The internal control system should include, but not be limited to, the following:
  - a) All personnel involved in categorizing and reporting foster student data are trained on PDE’s reporting requirements.
  - b) A review of foster student data is conducted by an employee—other than the employee who prepared the data—before it is submitted to PDE.
  - c) Comprehensive written procedures are developed to document the categorization and reporting process for foster student data.
2. Obtain updated agency placement letters annually for all nonresident students to help ensure accurate reporting to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District’s future reimbursements to resolve the overpayment of \$81,000.

## Management Response

District management provided the following response:

“Management agrees with the finding.

The District acknowledges the fact that the required documentation was not in all student files. In particular, the placement letters were not in the file, therefore the non-resident addresses and stipends could not be verified.

Subsequently in response to the finding, the District has taken the following measures:

- Met with all placement agencies to obtain necessary information as required by the Department of Education.
- The District in their review identified coding errors related to student enrollment data that could impact current and future district reimbursement.
- The District Administration had contacted the Department of Education to discuss these issues and will need to file all additional documentation to the department for review.

**Specific Steps implemented to correct the audit finding:**

Upon completion of this section of the Audit, the District immediately corrected the following:

1. The District implemented an internal control procedure which includes a Foster Child Placement Form as well as a Foster Student Enrollment Checklist.
2. The supervisor of student accounting and the child accounting secretary will be attending [the] 2021 PDE Data Summit in March 2021.
3. The District will continue on-going participation in Data Quality Network Meetings provided by the Midwestern Intermediate Unit IV.

The required agency record letter will be available for the next audit.”

**Auditor Conclusion**

We are encouraged that the District intends to implement corrective actions to address all of our recommendations. We will review the District’s corrective actions during our next audit of the District.

## Finding No. 3

# The District Failed to Implement Sufficient Internal Controls That Led to Noncompliance with Statutory Obligations by Not Maintaining Complete Records for and Properly Monitoring Its Contracted School Bus Drivers

*Criteria relevant to the finding:*

### Internal Control Standards

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

### Statutory and Regulatory Requirements

Chapter 23 (relating to Pupil Transportation) of the State Board of Education’s regulations, among other provisions, provides that the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations. See, in particular, 22 Pa. Code § 23.4(2).

The District failed to meet its statutory obligations under the PSC and associated regulations related to its oversight of contracted school bus and van drivers having direct contact with students during the 2019-20 school year. Specifically, we found the District did not adequately maintain, review, and monitor records for all drivers transporting students. We also found that the District’s Board of School Directors (Board) approved drivers whose background clearances were not on file at the District and failed to approve three drivers added by the contractor during the school year.

We determined that these deficiencies occurred because the District lacked sufficient internal controls related to its oversight of contracted drivers. Finally, we noted that the District’s board policy regarding contracted services did not include the legal requirement to renew background clearances every five years. By not adequately maintaining, reviewing, and monitoring driver qualifications, the District could not ensure that all contracted 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. The ultimate purpose of these requirements is to ensure the protection, safety, and welfare of the students transported on school buses and vans. The District’s Board is responsible for the selection and approval of eligible operators who qualify under the law and regulations.<sup>10</sup> Therefore, the District should have a strong system of internal control over its driver review process that should include, but not be limited to, the following:

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

<sup>10</sup> See 22 Pa. Code § 23.4(2).

*Criteria relevant to the finding  
(continued):*

Section 111 of the Public School Code (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).

- Training on driver qualification and clearance requirements.

### ***Driver Employment Requirements***

As noted earlier, several state statutes and regulations establish the minimum required qualifications for school bus and van drivers, among others, the PSC and the Child Protective Services Law (CPSL). Regardless of whether they hire their own drivers or use contracted 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,<sup>11</sup> including:
  - a. Valid driver's license (Commercial driver's license if operating a school bus).
  - b. Valid school bus endorsement card, commonly referred to as an "S" card, indicating completion of skills and safety training (if operating a school bus).
  - c. Annual physical examination (if operating a school bus).
2. Criminal history reports/clearances:
  - a. State Criminal History Clearance (Pennsylvania State Police [PSP] clearance).
  - b. Federal Criminal History Clearance, based on a full set of fingerprints (FBI clearance).
  - c. PA Child Abuse History Clearance.<sup>12</sup>

It is important to note that all three clearances must be obtained every five years.<sup>13</sup>

### **Insufficient Internal Controls Resulting in Incomplete and Unreviewed Records for Contracted Drivers**

The District utilizes a transportation contractor to provide bus and van drivers (drivers) to transport students. We reviewed driver information for the 2019-20 school year. The District provided an initial list of 27 drivers transporting students as of March 6, 2020. We evaluated the completeness of that list by comparing it with information from the District's contractor and found that three drivers on the contractor's list were not on the District's list of drivers. We then requested and reviewed the District's personnel files for all 30 contracted drivers, including the three drivers not on the District's list, to determine whether the District complied with driver and background clearance requirements, including the maintenance,

<sup>11</sup> Pennsylvania's Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

<sup>12</sup> This clearance is from the state Department of Human Services.

<sup>13</sup> 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).

review, and monitoring of required documentation during our review period. Our procedures disclosed internal control weaknesses that resulted in the deficiencies described below.

### ***Incomplete Background Clearances for Board Approved Drivers***

During our initial review, we found two drivers with incomplete clearances as noted below:

- **Driver A:** The driver’s FBI clearance contained a cover sheet stating “record found,” but the actual clearance detailing any conviction charge was not available at the District.
- **Driver B:** The driver’s PSP clearance stated “request under review” and the FBI clearance noted “record found,” but again, the actual clearances detailing any convictions were not available at the District.

As of our follow-up review, the records for these two drivers remained incomplete for the 2019-20 school year.<sup>14</sup> District officials attributed the incomplete clearances to the District not reviewing the files received from the contractor to determine if all required credentials and clearances were complete and valid. The District explained that it relied on the contractor to provide and review all required documentation without an established and ongoing review process at the District.

### ***Failure to Board Approve Three Drivers Utilized by the Contractor***

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.<sup>15</sup> As previously noted, we found that the contractor was utilizing three drivers not Board approved by the District. While the contractor provided the District with complete records for these three drivers, the District did not have internal control procedures to ensure that drivers added throughout the school year were reviewed and presented for board approval.

### ***No Standardized Review Process and Ongoing Monitoring Procedure***

The District did not have a standardized review process and ongoing monitoring procedures to ensure that all contracted drivers having direct contact with children were properly qualified prior to and throughout employment. The lack of a standardized review process and ongoing monitoring resulted in incomplete documentation for Board approved

<sup>14</sup> Driver A’s actual FBI clearance was not obtained by the District. While the District obtained clearances for Driver B, the FBI clearance was outdated (more than five years old), and the PSP clearance was newly acquired as a result of our inquiries.

<sup>15</sup> 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).



*Criteria relevant to the finding  
(continued):*

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

employment. The lack of a standardized review process and ongoing monitoring resulted in incomplete documentation for Board approved drivers and a lack of Board approval for other drivers added by the contractor throughout the school year. Again, the District indicated that it relied on its contractor to monitor drivers and to send updated qualifications and clearances when the contractor deemed necessary. The District did not have its own tracking system to monitor that clearances were updated every five years, as required, or that driver qualifications were valid.

While transportation contractors have an obligation to ensure driver compliance with qualification and clearance requirements, it is ultimately the District’s responsibility to determine all drivers’ fitness and eligibility before they begin transporting students and then to monitor eligibility for continued employment. As such, establishing a standardized review process and ongoing monitoring procedures is crucial to the District ensuring that its contracted drivers meet all employment requirements. This responsibility has been further heightened by amendments to the PSC and the CPSL requiring that all clearances be renewed every five years. Without a process to monitor the expiration dates on these items, the District would be unaware of when drivers with expired credentials and/or clearances are transporting students.

### **Noncompliance With and Outdated Board Policy**

During our review, we noted that District Policy No. 818, *Contracted Services*, was adopted in July 2004 and last revised in November 2013. This policy requires the District to ensure that all contractors submit a report of criminal history record information and an official child abuse clearance statement for each contractor's prospective employees prior to employment and to maintain a copy of the required information. By failing to have complete background clearances upon our initial review, and by failing to review the driver documentation provided by the contractor the District did not comply with its own policies.

Additionally, the 2013 revision to the District’s contracted service policy does not incorporate the significant changes to laws and regulations that were made to the PSC and the CPSL related to the requirement to obtain updated clearances every five years.

### **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 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 all drivers and failed to obtain, review, and maintain all required driver qualifications and clearances. Additionally,

the District lacked a standardized process for adequately monitoring and updating ongoing driver requirements throughout employment. Finally, the District failed to update District Policy No. 818 specific to contracted services.

Ensuring that ongoing credential and clearance requirements are satisfied are vital student protection obligations and responsibilities placed on the District and its Board. The ultimate purpose of these requirements is to ensure the safety and welfare of students transported on school buses and vans. The use of a contractor to provide student transportation does not negate these important legal and governance obligations and responsibilities of the District.

### **Recommendations**

The *New Castle Area 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 required documentation is continuously monitored, updated, and complete.
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. Promptly update the Board's policy and procedures for contracted services to address the requirement to obtain updated clearances every five years.
4. Ensure that all new drivers added after the start of the school year are presented to the Board for approval in a timely manner.

### **Management Response**

District management provided the following response:

“The District is in agreement with the findings as it relates to Bus Driver Qualifications and will accept, acknowledge and implement the following audit recommendations.

### **Specific steps implemented to correct the audit findings**

- Implement verifiable internal control procedures with a review process to ensure only qualified and authorized individuals are driving for the district. The District will meet the bus contractor on a monthly basis to ensure proper protocol is enforced.
- Comply with PSC requirements to obtain, review and maintain required credentials and clearances for all contacted employees that have direct contact with students. This will be addressed on a monthly basis between the District and bus contractor.
- Update Board Policy and procedures for contracted services to address the requirement to obtain clearances every 5 years. District will update at the next available voting meeting.
- Ensure that all new drivers added at the start of the school year are presented to the Board for approval in a timely manner. We will discuss with the bus contractor at monthly meetings.

Moving forward the District will work closely with the transportation contractor to ensure all documentation, credentials and updated clearances are on site with the District and within PDE compliance. All documents submitted by the Transportation contractor will be reviewed by the District Business Manager and transportation department staff to ensure compliance issues are maintained.”

### **Auditor Conclusion**

We are encouraged that the District intends to implement corrective actions to address all of our recommendations. We will review the District’s corrective actions during our next audit of the District.

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

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**O**ur prior audit of the New Castle Area School District resulted in no findings or observations.

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

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>16</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

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, Administrator Separations, 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, 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.<sup>17</sup> *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.<sup>18</sup> 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.

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<sup>16</sup> 72 P.S. §§ 402 and 403.

<sup>17</sup> 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.

<sup>18</sup> 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
<b>Control Environment</b>	
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
<b>Risk Assessment</b>	
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
<b>Control Activities</b>	
10	Design control activities
11	Design activities for the information system
12	Implement control activities
<b>Information and Communication</b>	
13	Use quality information
14	Communicate internally
15	Communicate externally
<b>Monitoring</b>	
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	
Administrator Separations	Yes										X				X			
Financial Stability	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, 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 six 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?<sup>19</sup>
  - ✓ To address this objective, we assessed the District's internal controls for obtaining, processing and reporting transportation data to PDE. We verified that the District's data reported on the PDE-2518 (Summary of Individual Vehicle Data for Contracted Service) was the same as the District created summary weighted average calculations of mileage and student data. Initially, we selected a group of vehicles used to transport District students during the 2017-18 and 2018-19 school years and requested documentation to determine the accuracy of the data reported to PDE. However, the District could not provide the requested documentation. We subsequently requested the supporting documentation for all vehicles reported to PDE for the 2015-16 through 2018-19 school years. The District did not maintain the required supporting documentation for any vehicle; therefore, we were unable to determine the accuracy of the regular transportation reimbursement the District received from PDE for the audit period.
  - ✓ Additionally, we obtained and reviewed the District's 21<sup>st</sup> Century Community Learning Centers Grant Agreement that was in effect for the 2017-18 and 2018-19 school years and the District's summary budget reports for the same school years. We reviewed the vehicle data the District reported on the PDE-2518 to determine if the District reported transportation costs that were already covered in the grant agreements as reimbursable costs.

**Conclusion:** The results of our procedures identified noncompliance and significant internal control deficiencies related to obtaining, reviewing, and maintaining documentation to support the data reported to PDE for transportation reimbursement. Those results are detailed in Finding No. 1 beginning on page 7 of this report.

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<sup>19</sup> See 24 P.S. § 25-2541(a).

## **Nonresident Student Data**

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?<sup>20</sup>
  - ✓ To address this objective, we assessed the District's internal controls for inputting and processing residency status and reporting nonresident foster students to PDE. We reviewed all 11 nonresident foster students reported to PDE as educated by the District during the 2015-16 through 2018-19 school years.<sup>21</sup> We reviewed documentation to confirm that the custodial parents or guardian of the foster students were not residents of the District and to confirm that the foster parent received a stipend for caring for the student. We also determined if the District received the correct reimbursement for the education of these students.
  - ✓ We also reviewed all nine nonresident students educated by the District whose parents were employed by the District and were not residents of the District. We reviewed the nonresident student board policy to determine if tuition was properly billed. We also reviewed address documentation to determine the accuracy of student residency classification for the students identified during the 2015-16 through 2018-19 school years.

**Conclusion:** The result of our procedures identified significant internal controls deficiencies related to the reporting data submitted to PDE for nonresident foster students. Our results are detailed in 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 board approved and had the required driver's license, physical exam, training, background checks, and clearances<sup>22</sup> as outlined in applicable laws?<sup>23</sup> 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 bus driver qualifications documents and procedure for being made aware of who transported students daily. We determined if all drivers were approved by the District's Board of School Directors. We selected all 30 contracted drivers transporting District students as of March 6, 2020, and reviewed documentation to ensure the District complied with the requirements for those drivers. We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physicals.

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<sup>20</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

<sup>21</sup> The District reported the following nonresident foster students: 1 in 2018-19; 3 in 2017-18, 4 in 2016-17, and 3 in the 2015-16 school years.

<sup>22</sup> 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.

<sup>23</sup> 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.



**Conclusion:** The results of our procedures identified significant internal control deficiencies related to obtaining, reviewing, and monitoring documents supporting bus driver qualification requirements. Our results are detailed in Finding No. 3 beginning on page 18 of this report.

### **Administrator Separations**

- Did the District ensure all individually contracted employees who separated from the District were compensated in accordance with their contract? Also, did the contracts comply with the Public School Code and were the final payments in accordance with the Public School Employees' Retirement System (PSERS) guidelines?
  - ✓ To address this objective, we assessed the District's internal controls over the calculations of post-employment benefits and the processing of final payments to individually contracted administrators who separated employment with the District. We reviewed the contract, District's administrative compensation plan, salary calculation, the separation agreement, payroll records, and leave records for the one administrator who separated employment from the District during the period July 1, 2015 through January 27, 2021, to ensure post-employment payments and benefits, including leave payments, were correctly calculated and paid. We reviewed the leave payouts and payments in lieu of health insurance to confirm these payments were not reported as eligible wages to PSERS. We reviewed board meeting minutes to determine if the administrator's separation was approved.

**Conclusion:** The results of our procedures did not identify any significant internal control deficiencies, noncompliance or reportable issues.

### **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 2018-19 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators are deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics.

**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, memorandums of understanding with local law enforcement?<sup>24</sup> Also, did the District follow best practices related to physical building security and providing a safe school environment?

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

- ✓ To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and memorandums of understanding with local law enforcement.

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

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?<sup>25</sup> 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 fire and security drill records for the 2018-19 and 2019-20 school years. We determined if a security drill was conducted within 90 days of the school year for each building 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 portion of the school safety objective did not identify any reportable issues.

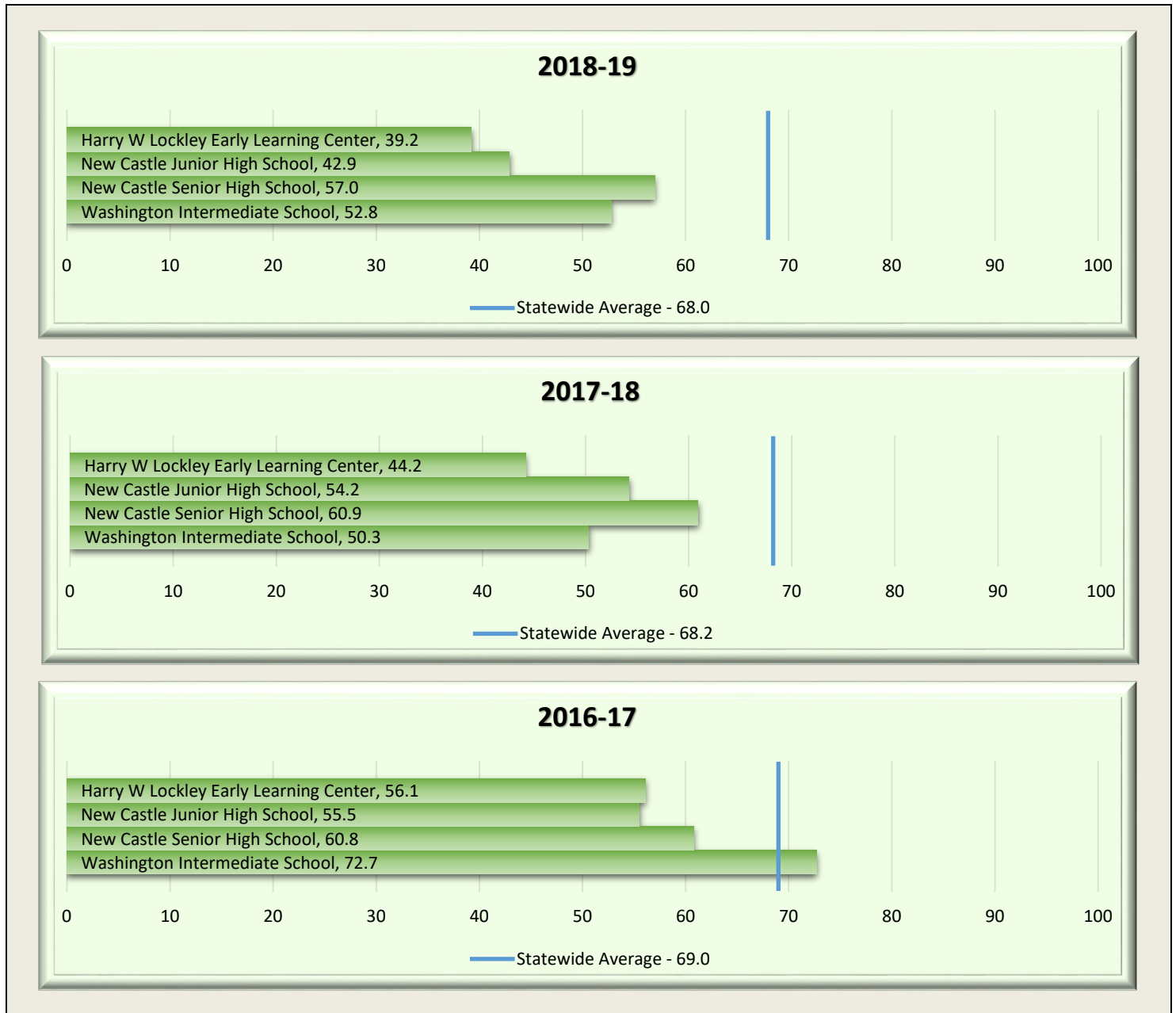
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<sup>25</sup> Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

## Appendix B: Academic Detail

Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>26</sup> Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.<sup>27</sup>

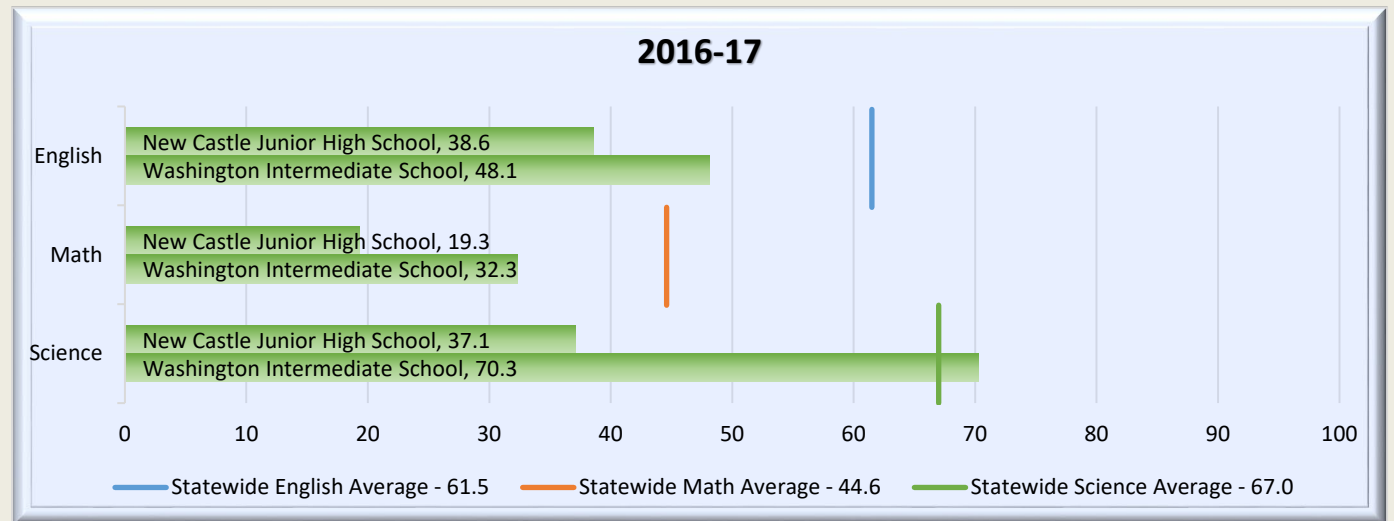
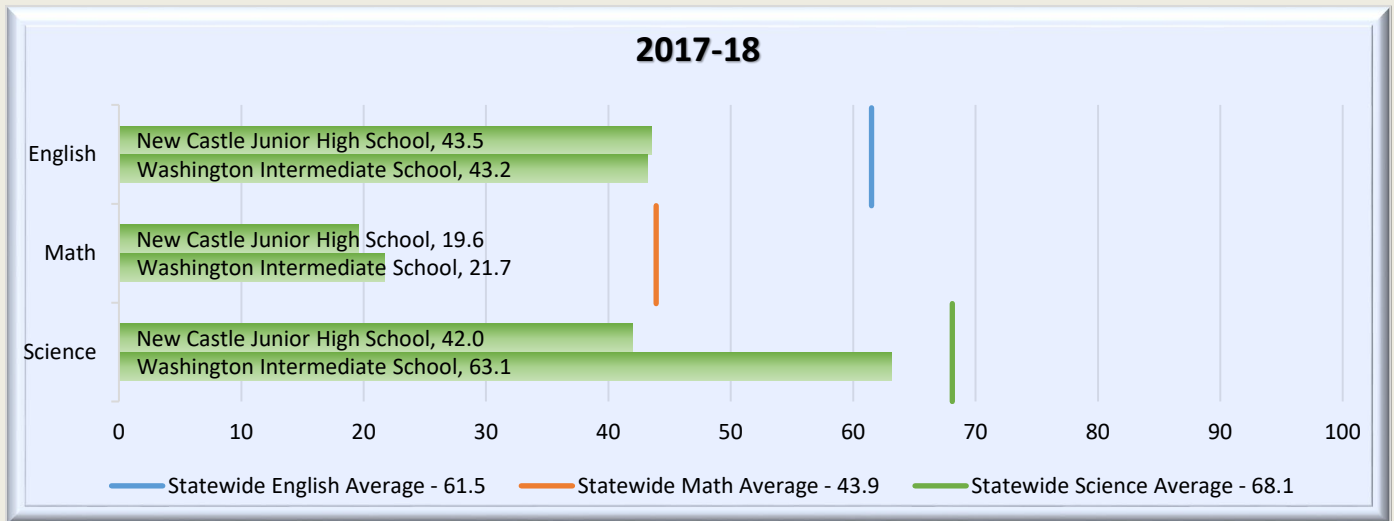
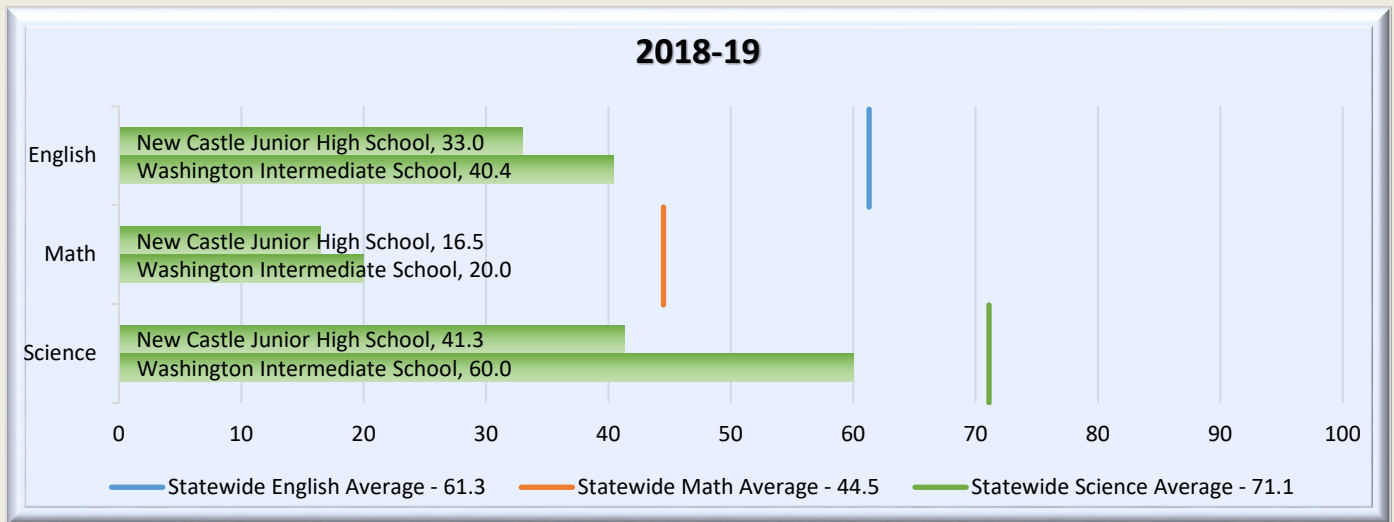
### SPP School Scores Compared to Statewide Averages



<sup>26</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

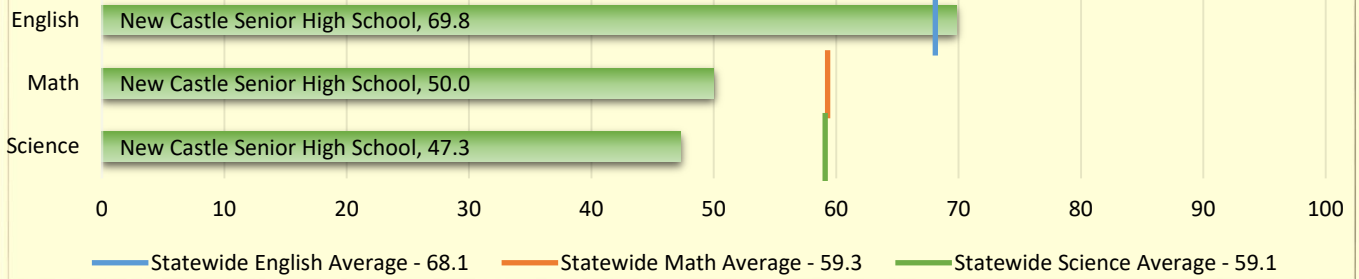
<sup>27</sup> PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

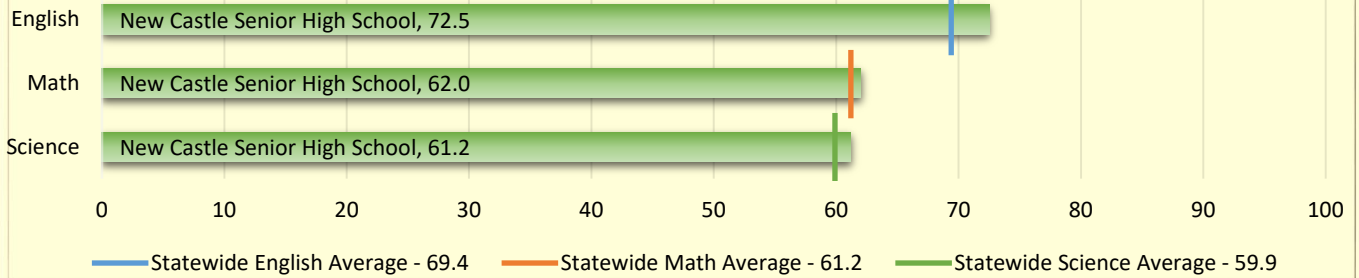


## Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

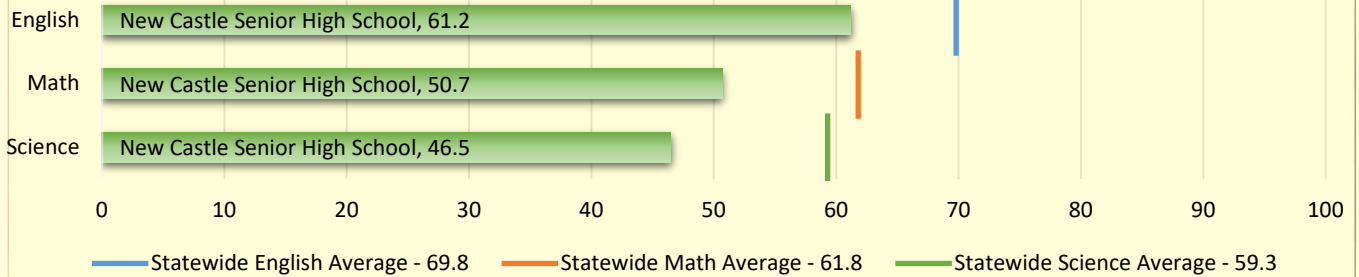
### 2018-19



### 2017-18



### 2016-17



## **Distribution List**

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

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