

PERFORMANCE AUDIT

Pottstown School District Montgomery County, Pennsylvania

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Stephen J. Rodriguez, Superintendent
Pottstown School District
230 Beech Street
Pottstown, Pennsylvania 19464

Mrs. Amy Francis, Board President
Pottstown School District
230 Beech Street
Pottstown, Pennsylvania 19464

Dear Mr. Rodriguez and Mrs. Francis:

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

- Nonresident Student Data
- Bus Driver Requirements
- Transportation Operations
- Professional Certifications

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

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

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

In addition, we identified internal control deficiencies in the areas of transportation operations and professional certifications that were not significant but warranted the attention of District management and the Board of School Directors (Board). Those deficiencies were verbally communicated to District management and the Board for their consideration.

Mr. Stephen J. Rodriguez

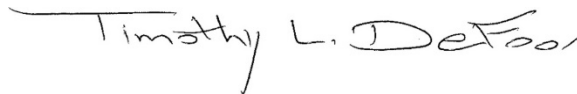
Mrs. Amy Francis

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 other 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 line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

June 1, 2021

cc: **POTTSTOWN SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Pottstown 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 two findings.

Finding No. 1: The District's Failure to Implement Internal Controls Led to Inaccurate Nonresident Student Data Reported to the Pennsylvania Department of Education Resulting in an Overpayment of \$83,623.

We found that the District failed to implement internal controls over the categorization and reporting of nonresident student data resulting in an \$83,623 overpayment from the Pennsylvania Department of Education. This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2015-16, 2017-18, and 2018-19 school years (see page 7).

Finding No. 2: The District Failed to Board Approve Bus Drivers and Did Not Implement Adequate Internal Controls to Ensure Compliance with Driver Qualification and Clearance Requirements.

The District's Board of School Directors did not approve, as required, any of the school bus and van drivers contracted to provide transportation during the 2019-20 school year. Additionally, we found that the contractor was utilizing drivers unknown to District administrators and whose credentials and background clearances were not adequately maintained and reviewed. Finally, we determined that these deficiencies occurred because the District lacked key internal controls to ensure that it meets its statutory obligations under the Public School Code and associated regulations related to its oversight of contracted drivers having direct contact with students (see page 12).

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	Montgomery
Total Square Miles	5
Number of School Buildings	6
Total Teachers	224
Total Full or Part-Time Support Staff	238
Total Administrators	24
Total Enrollment for Most Recent School Year	3,530
Intermediate Unit Number	23
District Career and Technical School	Comprehensive within the High School Building

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

Mission Statement*

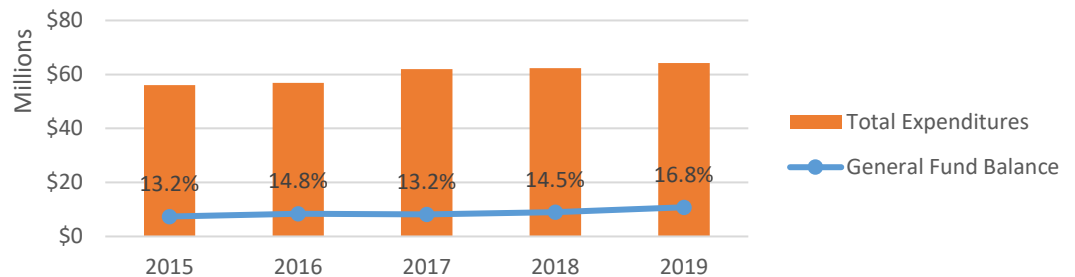
Prepare each Student by name for success at every level.

Financial Information

The following pages contain financial information about the Pottstown 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**.

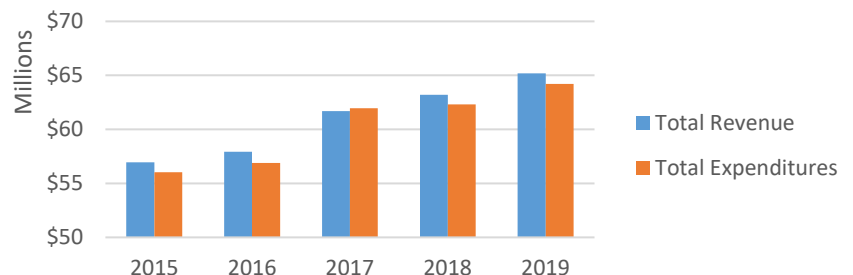
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2015	\$7,385,704
2016	\$8,439,409
2017	\$8,186,593
2018	\$9,058,608
2019	\$10,810,048



Revenues and Expenditures

	Total Revenue	Total Expenditures
2015	\$56,945,712	\$56,030,138
2016	\$57,938,786	\$56,885,083
2017	\$61,704,784	\$61,957,599
2018	\$63,193,586	\$62,321,570
2019	\$65,191,984	\$64,216,957

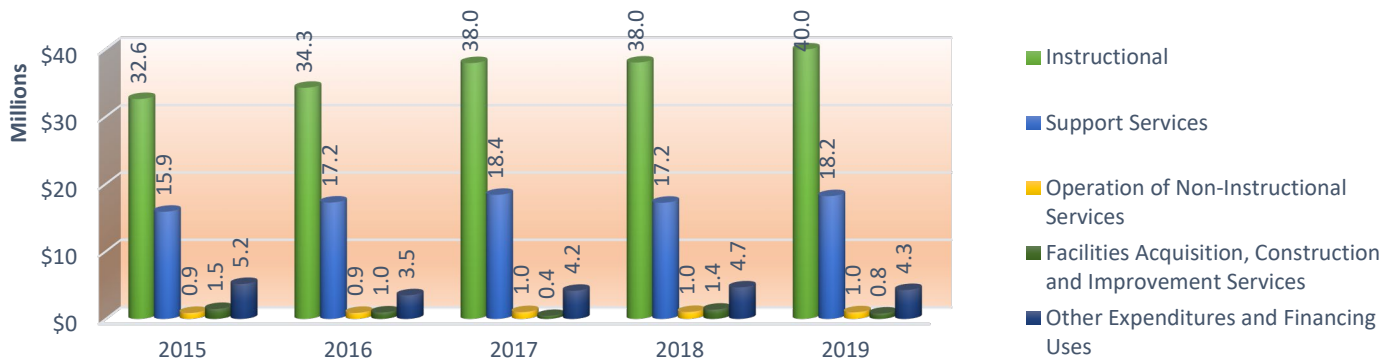


Financial Information Continued

Revenues by Source

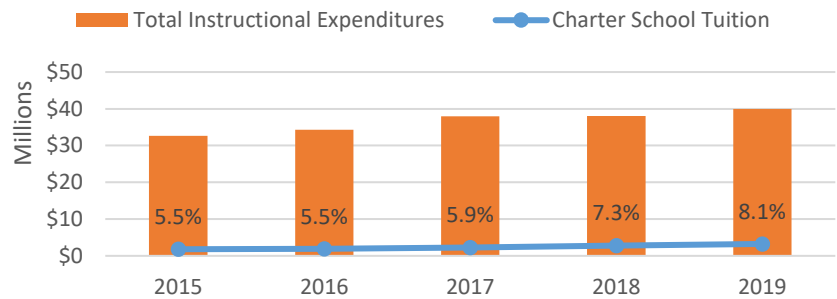


Expenditures by Function

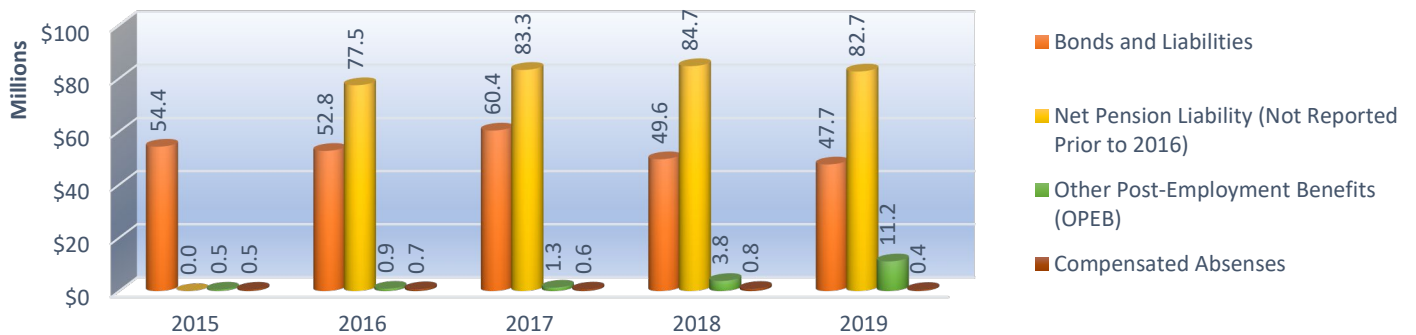


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2015	\$1,799,148	\$32,619,681
2016	\$1,889,203	\$34,290,621
2017	\$2,247,022	\$37,958,961
2018	\$2,777,060	\$38,041,495
2019	\$3,238,354	\$39,967,612



Long-Term Debt

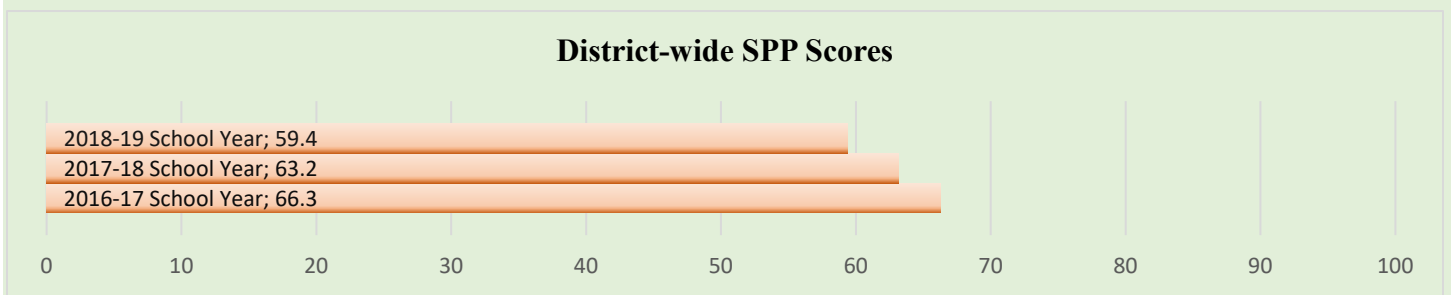


Academic Information

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2016-17, 2017-18, and 2018-19 school years.¹ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score annually using a 0-100 scale for all school buildings in the Commonwealth, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.²



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

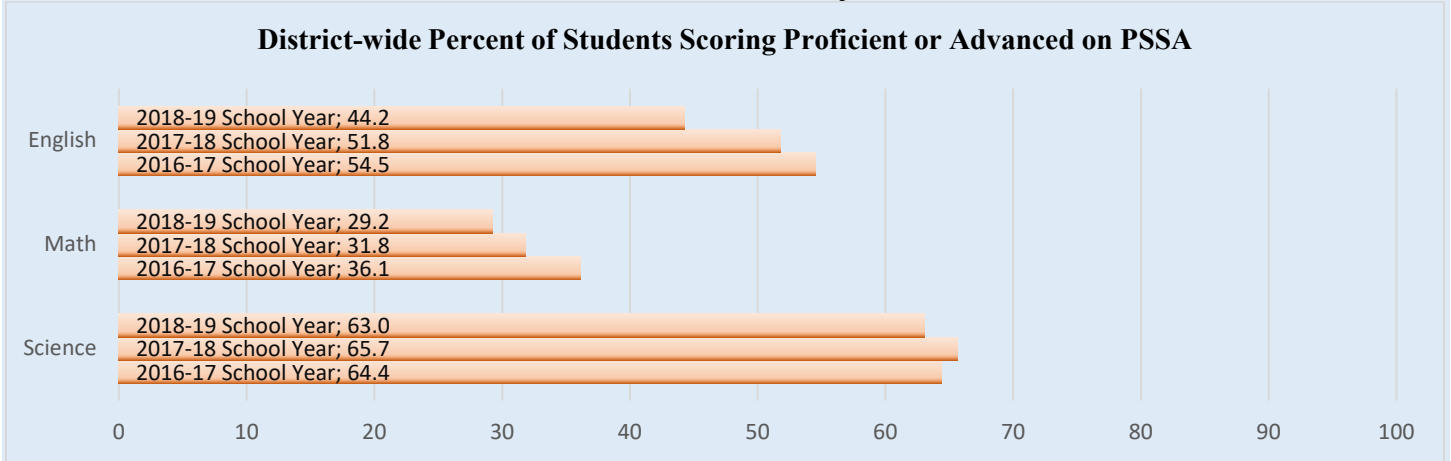
² PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE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

Academic Information Continued

What is the PSSA?

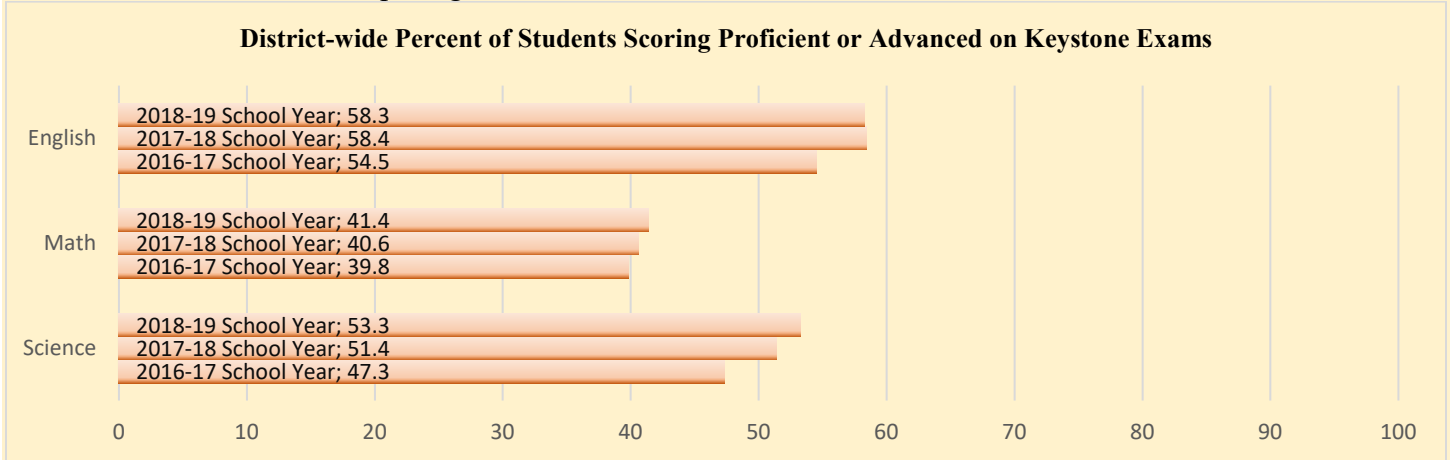
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards. The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.



What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.³ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

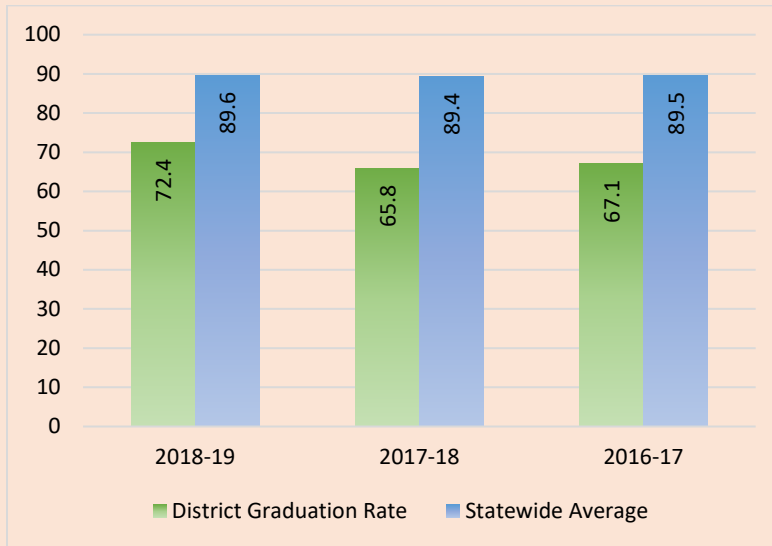


³ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs)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

Academic Information Continued

What is a 4-Year Cohort Graduation Rate?

PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph below.⁴



⁴ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information:
<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 Led to Inaccurate Nonresident Student Data Reported to the Pennsylvania Department of Education Resulting in an Overpayment of \$83,623

Criteria relevant to the finding:

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

Payment of Tuition

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

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

We found that the Pottstown School District (District) failed to implement internal controls over the categorization and reporting of nonresident student data resulting in an \$83,623 overpayment from the Pennsylvania Department of Education (PDE). This overpayment was caused by the District inaccurately reporting the number of foster students educated by the District during the 2015-16, 2017-18, and 2018-19 school years.⁵

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 the private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.⁶ 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 nonresident students that it educated to PDE. Therefore, school districts should have a strong system of internal controls over this process that should include, but not be limited to, the following:

- Training on PDE reporting requirements
- Written internal procedures to 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 12 errors over the audit period when it reported foster student data to PDE. The District failed to report one eligible foster student to PDE for reimbursement during the 2017-18 school year. The other errors were the result of the District inaccurately

⁵ We did not find any reporting errors for the 2016-17 school year.

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

Criteria relevant to the finding (continued):

Subsection (c) of the Section 2503 (relating to Payments on account of tuition) 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).

reporting students as foster students. The following table details reporting errors we identified for each school year of the audit period.

Pottstown School District Nonresident Foster Student Data			
School Year	Number of Students Inaccurately Reported as Foster Students	Number of Foster Students Not Reported	Net Overpayment
2015-16	2	0	\$11,443
2017-18	4	1	\$30,984
2018-19	5	0	\$41,196
Totals	11	1	\$83,623

Of the 11 students erroneously reported as foster students, we found that 9 students should have been classified as residents and, therefore, the District was not eligible to receive reimbursement for educating these students. We found that these nine students were inaccurately reported due to the following reasons:

- **Five students** were reported as foster students, but the District did not have the required documentation to support this categorization. Additionally, the District failed to annually obtain updated documentation for students reported as foster students.
- **Two students** reported as foster students were placed in a pre-adoptive home. Per PDE guidelines, students in a pre-adoptive home are required to be reported as residents.
- **Two students** had parents/guardians living within the District and, therefore, the students should have been reported as residents.

The remaining two students inaccurately reported as foster students were placed in a group shelter within the District. When a student is placed in a group home as opposed to a private home, the educating district is responsible for billing each student’s district of residency for tuition costs. The District did not bill the resident district for these two students. By reporting them as foster students, the District inaccurately billed the Commonwealth for their tuition costs.

Significant Internal Control Deficiencies

The District did not have adequate internal controls over the categorization and reporting of foster student data. The District relied on multiple employees at the school building level to identify, categorize, and report nonresident foster students. This information was reported to PDE without

*Criteria relevant to the finding
(continued):*

**Excerpt from Basic Education
Circular – Nonresident Students in
Institutions**

**Financing Non-Resident Students
Living in Children’s Institutions**

Host school districts will finance the provision of the educational program for the students in children’s institutions through Section 1306 of the school code, “Non-resident inmates of children’s institutions.” This section allows the host school district to charge the school district where the student’s parent live, or “resident” school district, the host district’s tuition rate, as determined by Section 2561, for the education of these students. Arrangements for this payment are made directly between the two school districts.

**Excerpt from Basic Education
Circular – Enrollment of Students
Pre-Adoptive and Adoptive
Students**

Children living in pre-adoptive situations are considered residents of the school district in which their pre-adoptive parents reside under 24 P.S. § 13-1302.

review by an official sufficiently knowledgeable on PDE reporting requirements. A reconciliation to source documents to ensure each foster student met the PDE requirements was also not performed during the audit period. These employees were not adequately trained on the documentation and requirements necessary to report foster students accurately. Finally, the District did not have adequate written policies and procedures to assist personnel in accurately identifying a foster student and obtaining the required documentation needed to support this categorization.

Future Reimbursement Adjustment: We provided PDE with documentation detailing the reporting errors we identified for the 2015-16, 2017-18, and 2018-19 school years. We recommend that PDE adjust the District’s future reimbursement amount by the \$83,623 that we calculated as an overpayment.

Recommendations

The *Pottstown School District* should:

1. Develop and implement an internal control system governing the process for identifying, categorizing, and reporting nonresident student data. The internal control system should include, but not be limited to, the following:
 - All personnel involved in the identification, categorization, and reporting of nonresident data are trained on PDE’s reporting requirements.
 - A review of nonresident data is conducted by an employee, other than the employee who prepared the data, before it is submitted to PDE.
 - Clear and concise written procedures are developed to document the categorization and reporting process for nonresident student data.
2. Obtain updated agency placement letters annually for all foster students to ensure proper categorization and perform a reconciliation of the foster student data to source documents, before reporting to PDE.
3. Bill tuition costs to the resident district(s) of the students placed in a group home and educated by the District.

Management Response

District management provided the following response:

Pottstown School District has, for some time, had a steady Foster Point of Contact. However, during the 2015-2019 audit, there was a change in the Child Accounting Specialist responsible for the reporting of the required

information and documentation. In May 2018, the veteran Child Accounting Specialist retired and a novice to child accounting was hired. In December 2018, the position of Child Accounting Specialist was vacant until July 2019. There was a time period of 7 months where there was not a dedicated staff member for Child Accounting documentation.

In addition, during the audit process, the District Data Manager and Child Accounting Specialist learned the state required statements from the foster agencies (1) reflecting the district of residence of the natural parent(s), and (2) whether or not the foster family received a stipend while the student was in our district. These two pieces of evidence were not a requirement previously. As a result, the District's Foster Point of Contact communicated with the respective foster agencies to obtain the state's required documentation, and subsequently shared that documentation with the District's Data Manager, Child Accounting Specialist and the assigned auditor.

The following process has been implemented:

1. An internal control system had been established for identifying, categorizing and reporting nonresident student data, The system includes the following:
 - a. Google notification form to be completed by the Foster Liaison when a student is identified as a Foster Student and is sent to Child Accounting Specialist for the following tasks
 - i. Data Entry into the student information system
 - ii. Verification of the natural parent's resident district
 - iii. Verification of the coding for the foster identification compared to state coding for child accounting reporting
 - iv. Verification of subsidy received by Foster parents
 - v. All paperwork is filed for auditing purposes
 - b. Child Accounting Specialist is a member of Attendance/Child Accounting of PA (A/CAPA) for training in accurate reporting of non-resident student membership data.
 - c. Procedures are being documented in a shared google drive and reviewed on an annual basis
 - d. At the beginning of each school year, Child Accounting Specialist and Foster Liaison will review the list of currently enrolled foster students and verify that there is an updated placement letter that includes the natural parent's resident district and a statement that a stipend is received by the foster parents
 - e. At the close of each school year, Child Accounting Specialist and Foster Liaison will review the list of foster

students enrolled during any part of the school year and verify that there is a placement letter that includes the natural parent's resident district and a statement that a stipend is received by the foster parents during that placement time.

2. Prior to reporting Child Accounting Membership for the completed school year, all paperwork/documentation for the non-resident students will be reviewed for correct categorization, documentation and reporting process.
3. Billing of tuition for any non-resident students whose funding district is not Pottstown School District will be completed through the Pottstown School District Business Office.

Auditor Conclusion

We are encouraged that the District is taking measures to implement our recommendations. It is imperative for District officials responsible for categorizing and reporting nonresident foster students to have an in-depth knowledge of the Public School Code (PSC) requirements for nonresident foster students. These requirements should be part of the District's procedures and part of the training all District officials receive prior to assuming the responsibility for categorizing and reporting nonresident foster students. We will determine the effectiveness of the District's corrective actions during our next audit of the District.

Finding No. 2

The District Failed to Board Approve Bus Drivers and Did Not Implement Adequate Internal Controls to Ensure Compliance with Driver Qualification and Clearance Requirements

Criteria relevant to the finding:

Section 111 (relating to Criminal history of employees and prospective employees; conviction of certain offenses) of the PSC mandates that all independent contractors and their employees meet the background clearance requirements outlined in law *prior* to working in a position in which they will have direct contact with children. See 24 P.S. § 1-111(a).

Section 23.4(2) of Chapter 23 (Pupil Transportation) of the State Board of Education 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 on district service and eligible operators who qualify under the law and regulations.” See 22 Pa. Code § 23.4(2).

We found that the District’s Board of School Directors (Board) did not approve, as required, any of the school bus and van drivers (drivers) contracted to provide transportation during the 2019-20 school year.⁷ Additionally, we found that the contractor was utilizing drivers unknown to District administrators and whose credentials and background clearances were not adequately maintained and reviewed. Finally, we determined that these deficiencies occurred because the District lacked key internal controls to ensure that it meets its statutory obligations under the PSC and associated regulations related to its oversight of contracted drivers having direct contact with students.

Background

Several state statutes and regulations establish the minimum required qualifications for school bus and van drivers. The purpose of these requirements is to ensure the protection, safety, and welfare of the students transported in school buses and vans. The District and its Board are responsible for the selection and approval of eligible drivers who qualify under applicable laws and regulations. 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:

- Board approval following a documented review of all driver credentials to determine driver eligibility before transportation occurs.
- A review and continuous monitoring of driver credentials to ensure required clearances, licenses, and physicals remain valid.⁸
- A system to track who is transporting students throughout the school year to ensure contractors are not utilizing unapproved drivers.
- Written administrative procedures.
- Training on driver qualification and clearance requirements.

⁷ See 22 Pa. Code § 23.4(2).

⁸ PSC 24 P.S. § 1-111 (relating to Criminal history of employees and prospective employees; conviction of certain offenses) and Pennsylvania’s Vehicle Code, 75 Pa.C.S. §§ 1508.1 (relating to Physical examinations) and 1509 (relating to Qualifications for school bus driver endorsement).

*Criteria relevant to the finding
(continued):*

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. . . .”

Failure to Board Approve 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.⁹ The District utilizes a contractor to provide drivers to transport its students. Based on our review, including interviews with District officials, we determined that the Board approved the transportation contract but not the individual drivers, as required.

Ensuring that ongoing qualification and clearance requirements are satisfied is a vital student protection obligation and responsibility placed on the District administrators 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 alleviate the District from its responsibility to Board approve drivers after ensuring compliance with requirements for driver qualifications and background clearances. According to District administration, the District was unaware of the requirement to Board approve drivers.

No Standardized Review Process

We reviewed driver information for the 2019-20 school year. The District provided a list of 98 drivers available to transport students as of March 13, 2020. We evaluated the completeness of that list by comparing it with information from the District’s contractor and found that the contractor’s list contained two drivers not on the District’s list. We then obtained the District’s personnel files for 10 of the 98 drivers and also for the two drivers not on the District’s list. We reviewed the 12 files to determine if the District complied with driver and background clearance requirements, including the maintenance and monitoring of required documentation during our review period.

We found that the District had an incomplete file for one driver that was on the contractor’s list but not on the District’s list. District officials indicated that the contractor had used this driver previously, but they were unaware that the driver was used in March 2020. Therefore, District officials did not review his personnel file to ensure that all qualifications and clearances were current and valid. Our review also disclosed that the District did not have a consistent process for reviewing background clearances with a conviction and making a determination of the driver’s eligibility to transport students. Nonetheless, we found that none of the

⁹ Section 23.4(2) of Chapter 23 (Pupil Transportation) of the State Board of Education 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).

12 drivers we reviewed had criminal convictions impacting on employment.

Lack of Key Internal Control to Ensure Compliance with Driver Requirements

While the District maintained a spreadsheet to monitor expiration dates for qualifications and clearances, it did not have a mechanism in place to know who was driving each day. Therefore, the District could not know if it was monitoring all drivers actually in use. As previously discussed, the District's failure to implement this key control led to the fact that the contractor was using two drivers that the District was unaware of and had not been cleared to transport its students. If the District did not know who was actually driving the vehicles each day then the monitoring spreadsheet is less effective due to possibly being incomplete and/or inaccurate.

Conclusion

Overall, the results of our procedures disclosed that the District did not implement adequate internal controls related to approving, reviewing, and monitoring driver qualifications and clearances. The District failed to Board approve drivers, which is a key internal control to ensure that drivers are vetted prior to transporting District students. Additionally, the District lacked standardized review and monitoring procedures, which are important controls to ensure that drivers are and remain eligible throughout employment. Further, we found that the District did not have procedures to monitor who was driving the vehicles transporting the District's students on a daily basis. Finally, we determined that the District did not document its review of driver qualifications and clearances at the start of the school year or as new drivers were added throughout the year. All of these internal controls are essential to ensuring compliance with driver qualification and clearance requirements.

The District's use of a contractor to provide student transportation services heightens the importance of having strong and effective internal controls—including knowing who is actually driving the vehicles transporting District students at all relevant times—to ensure student safety on buses and vans. Without having these vital internal controls in place, student safety could be jeopardized.

Recommendations

The *Pottstown 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 that all required credentials and clearances are obtained, reviewed, and on file at the District prior to individuals being presented to the Board and/or

transporting students, and that all required documentation is continuously monitored, updated, and complete.

2. Develop a process, in consultation with its contractor, to ensure that the District knows who is transporting its students on a daily basis.
3. Provide an up-to-date driver list to the Board for approval before the start of each school year. Additionally, the administration should ensure any new drivers added during the school year are properly reviewed and approved by the Board in accordance with the State Board of Education's regulations.

Management Response

District management provided the following response:

“Management will immediately implement protocols to routinely obtain data from its contractors and develop a secure electronic filing system for the monthly transportation data including driver licenses, qualification and clearances. Management will store source documents in a secure location. On a monthly basis management will review the list of drivers to ensure licenses, qualifications and clearances are on file and add all new drivers to the monthly Board meeting Agenda, acknowledging all drivers by name and Contractor Name.”

Auditor Conclusion

We are pleased that the District intends to implement our recommendations. We will determine the effectiveness of the District's corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior Limited Procedures Engagement of the Pottstown 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,¹⁰ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Nonresident Student Data, Bus Driver Requirements, Transportation Operations, Professional Certification, 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.¹¹ *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.¹² 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.

¹⁰ 72 P.S. §§ 402 and 403.

¹¹ 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.

¹² Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

Figure 1: Green Book Hierarchical Framework of Internal Control Standards

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

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

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

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

Figure 2 – Internal Control Components and Principles Identified as Significant

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

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

Objectives/Scope/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2015 through June 30, 2019 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's effectiveness in four areas as described below. As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹³
- ✓ To address this objective, we assessed the District's internal control for inputting and processing residency status and reporting nonresident foster students to PDE. We reviewed all 27 nonresident foster students reported to PDE as educated by the District during the 2015-16 through 2018-19 school years. We reviewed documentation to confirm that custodial parents or guardians were not residents of the District and that the foster parents received a stipend for the care of the student. We also determined if the District received the correct reimbursement for the education of these students.

Conclusion: The results of our procedures identified noncompliance and significant internal control deficiencies relating to the reporting of nonresident foster students. Our results are detailed in Finding No. 1 beginning on page 7 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 clearances¹⁴ as outlined in applicable laws?¹⁵ 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?

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

¹⁴ 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.

¹⁵ 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.

- ✓ To address this objective, we assessed the District's internal controls for reviewing, maintaining, and monitoring the required bus driver qualification documents. We determined if all drivers were Board approved by the District. We selected 12 of 98 bus and van drivers transporting District students as of March 13, 2020.¹⁶ We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if 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 maintenance and monitoring of driver records. Our results are detailed in Finding No. 2 beginning on page 12 of this report.

Transportation Operations

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁷
- ✓ To address this objective, we assessed the District's internal controls for obtaining, inputting, processing, and reporting transportation data to PDE. We randomly selected 15 of the 42 vehicles used to transport students during the 2018-19 school year and randomly selected 15 of the 50 vehicles used during the 2017-18 school year.¹⁸ For each vehicle tested, we obtained and reviewed odometer readings, bus rosters, and school calendars. We determined if the District accurately calculated and reported sample average data to PDE.

Conclusion: The results of our procedures did not identify any reportable issues; however, we did identify internal control deficiencies that were not significant to our objective but warranted the attention of the District. These deficiencies were verbally communicated to District management and the Board of School Directors (Board) for their consideration.

Professional Certifications

- Did the District ensure that all certificated personnel were properly qualified in accordance with laws and regulations and that ongoing five-year clearance requirements were updated, maintained, and monitored throughout the school year?
- ✓ To address this objective, we assessed the District's internal controls over reviewing, maintaining, and monitoring professional employee certification and clearance requirements. We then reviewed certifications for all 294 professional employees for the 2019-20 school year to determine if each certification was valid and appropriate for the position held. Furthermore, we randomly selected 60 of 294 professional employees and reviewed documentation to ensure the District complied with criminal background and child abuse clearance requirements.¹⁹

¹⁶ Ten drivers were randomly selected and two drivers were chosen due to a higher risk of noncompliance as they transported students, but were not identified by the District on the list of drivers provided for our review. Therefore, the selection of drivers was not representative of the population; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁷ See 24 P.S. §§ 2541.

¹⁸ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁹ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

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

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?²⁰ Also, did the District follow best practices related to physical building security and providing a safe school environment?

✓ To address this objective, we reviewed a variety of documentation including, but not limited to, safety plans, risk and vulnerability assessments, climate surveys, trainings for staff and students, 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?²¹ Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?

✓ To address this objective, we obtained and reviewed the fire and security drill records for the 2018-19 and 2019-20 school years. We determined if security drills were held within the first 90 days of each 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 to the supporting documentation.

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

²⁰ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

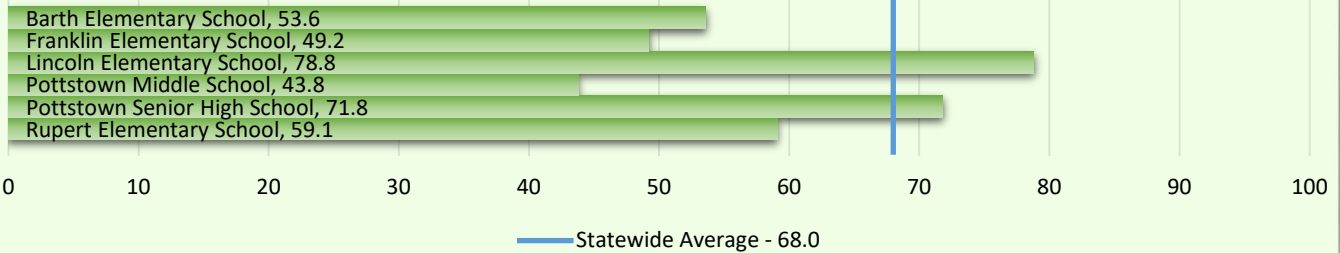
²¹ Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

Appendix B: Academic Detail

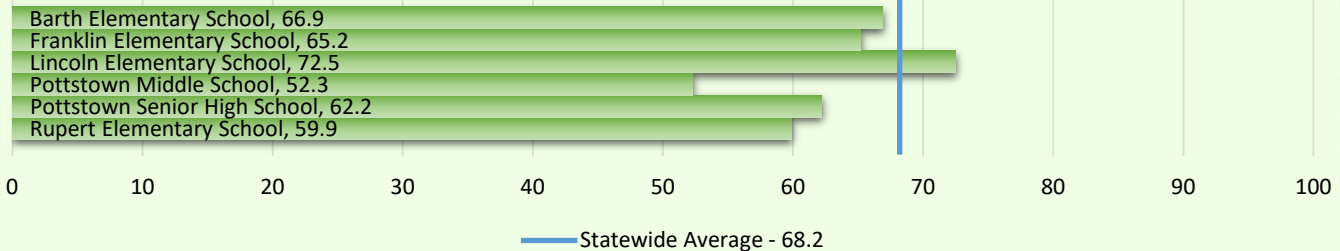
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.²² Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²³

SPP School Scores Compared to Statewide Averages

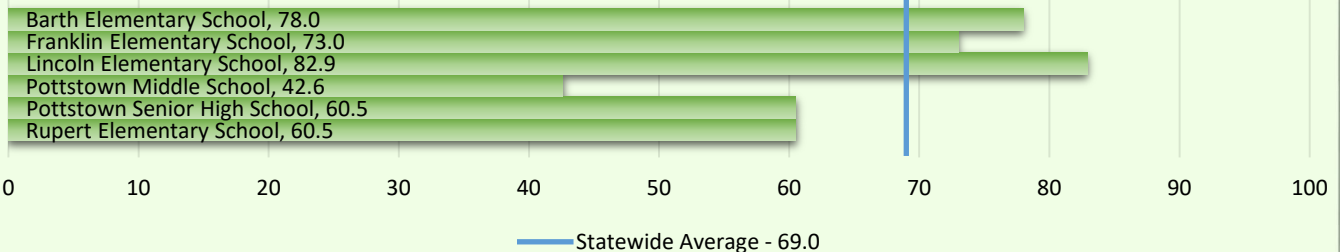
2018-19



2017-18



2016-17

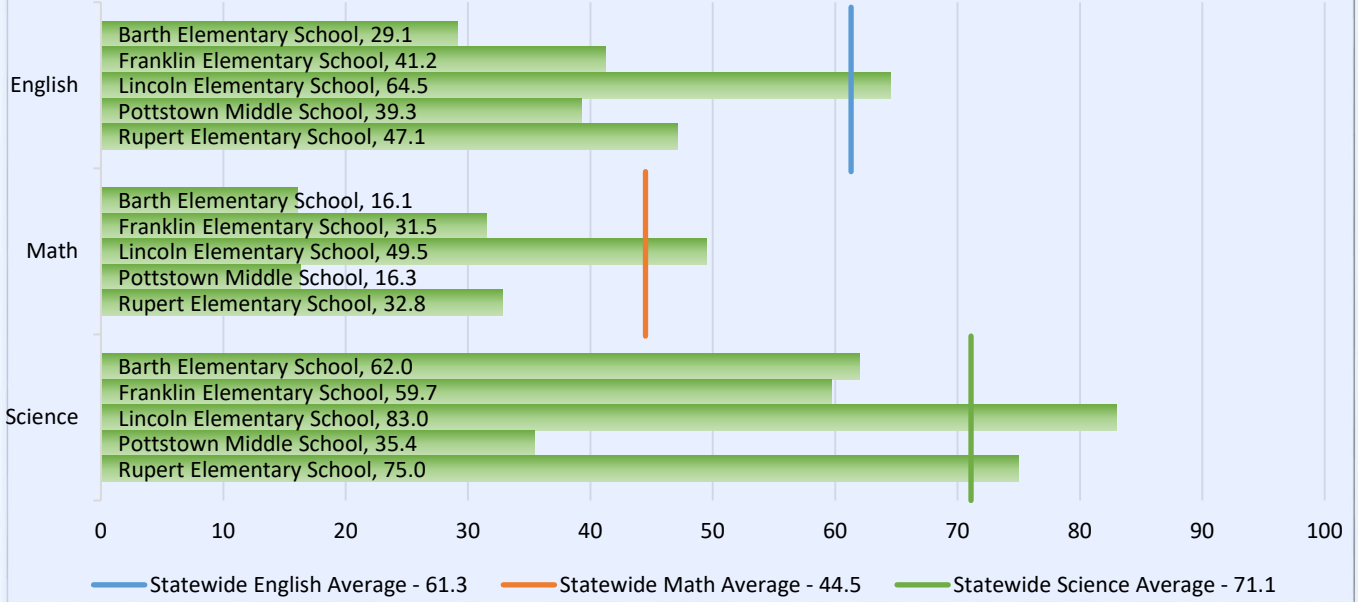


²² Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

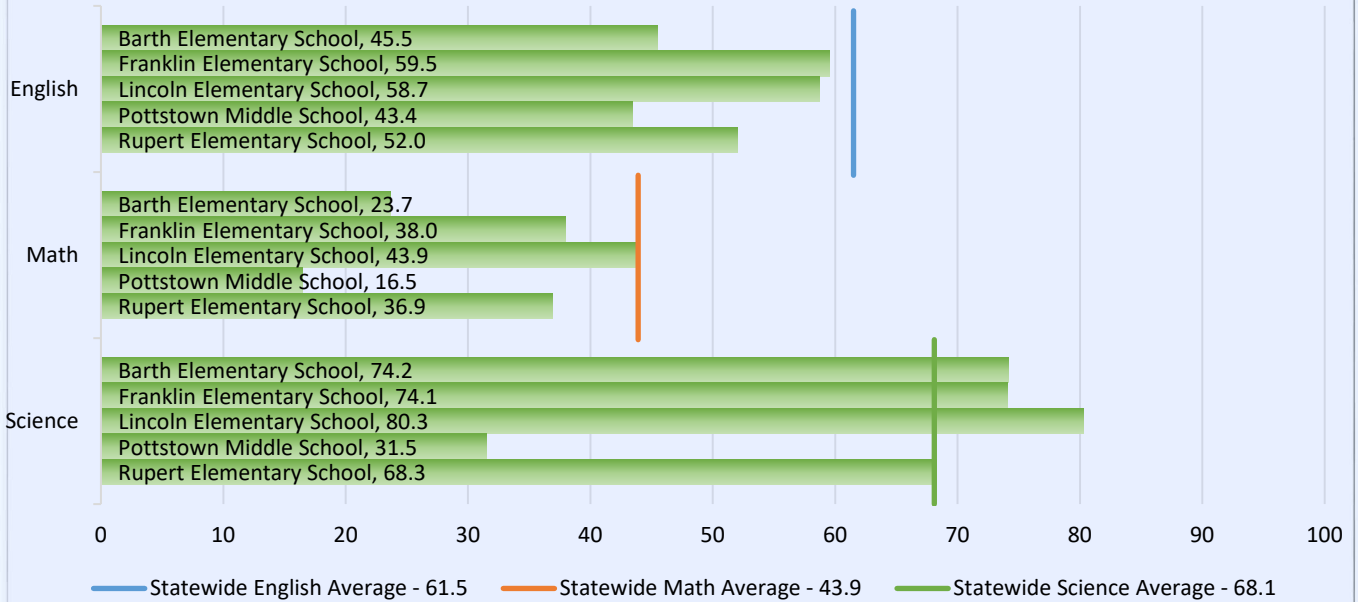
²³ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

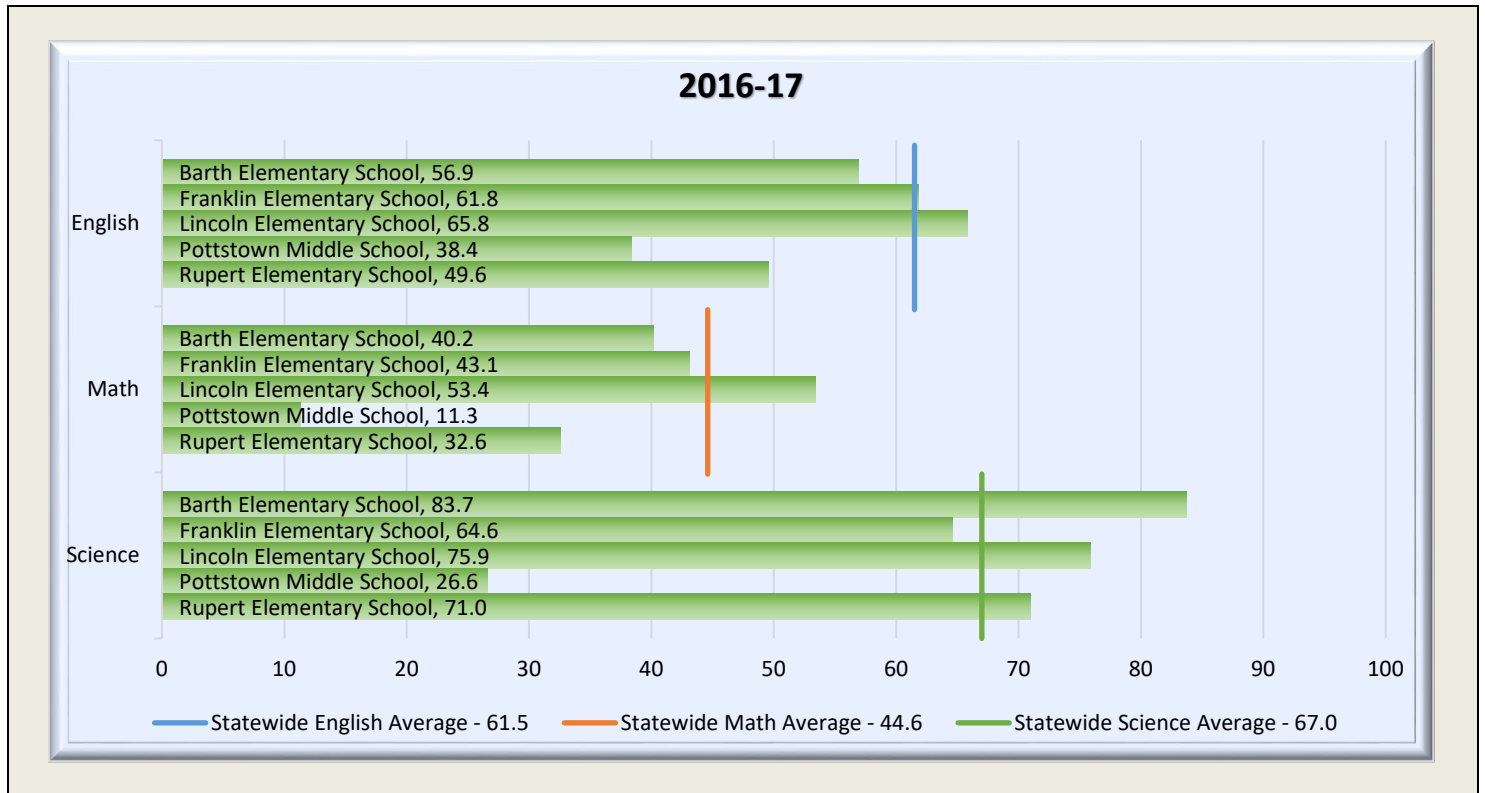
2018-19



2017-18

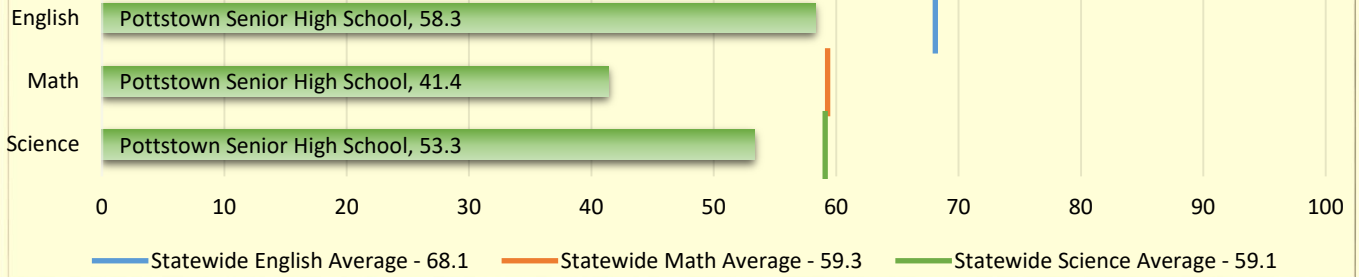


**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

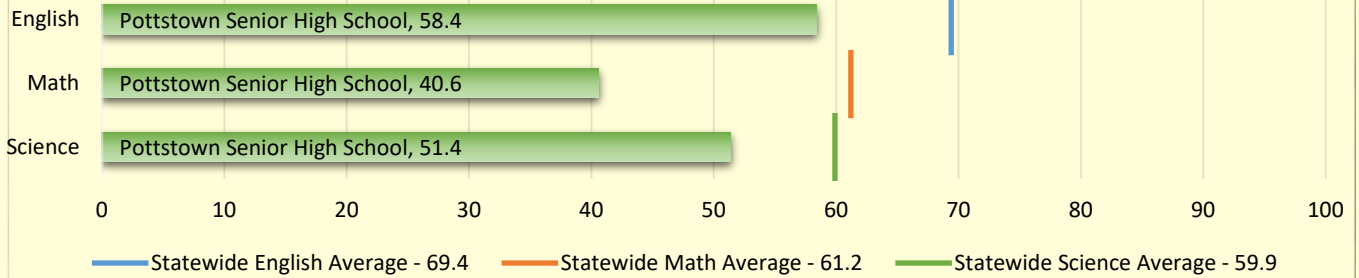


Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

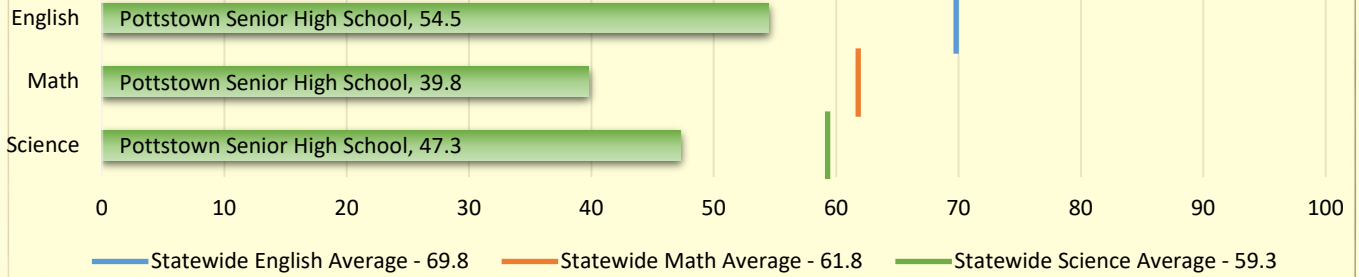
2018-19



2017-18



2016-17



Distribution List

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

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