

# PERFORMANCE AUDIT

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## Pottsville Area School District Schuylkill County, Pennsylvania

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September 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Jeffrey S. Zwiebel, Superintendent  
Pottsville Area School District  
1501 West Laurel Boulevard  
Pottsville, Pennsylvania 17901

Karen E. Rismiller, Esq., Board President  
Pottsville Area School District  
1501 West Laurel Boulevard  
Pottsville, Pennsylvania 17901

Dear Dr. Zwiebel and Ms. Rismiller:

Our performance audit of the Pottsville Area School District (District) evaluated the application of best practices in the area of financial stability. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objective, and methodology section of the report. 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.

During our audit, we found significant instances of failing to apply best practices and noncompliance with the Public School Code and its associated regulations, as detailed in our five findings. A summary of the results is presented in the Executive Summary section of the audit report. These findings include recommendations for the District.

We also evaluated the application of best practices in the area of school safety. 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.

Dr. Jeffrey S. Zwiebel  
Karen E. Rismiller, Esq.  
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Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe 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, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

August 23, 2019

cc: **POTTSVILLE 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 Pottsville 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 and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix). Compliance specific to state subsidies and reimbursements was determined for the 2013-14 through 2016-17 school years.

### Audit Conclusion and Results

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our five findings.

#### **Finding No. 1: A Cumulative Operating Deficit of \$14.3 Million Over Five Years Reduced the District's General Fund Balance to Negative \$1.2 Million as of June 30, 2018.**

Our review of the District's financial position over a five-year period revealed that the District's General Fund balance decreased at an alarming rate. The District's General Fund balance was \$12,563,088 on

July 1, 2013. Due to operating deficits in the next five fiscal years, the District's General Fund balance decreased to negative **\$1,223,536** as of June 30, 2018. (See page 11).

#### **Finding No. 2: A Board-Approved Separation Agreement Cost the District Over \$200,000.**

In October 2015, the District approved a five-year employment contract with the former Business Manager for the term July 1, 2016 through June 30, 2021. This contract did not include any provisions for salary or benefit payments to the Business Manager in the event the contract was terminated early. In May 2017, approximately one year into the five-year contract, the District entered into a separation agreement with the former Business Manager. The total cost to the District for the separation was \$201,613. (See page 26).

#### **Finding No. 3: The District Inaccurately Reported the Number of Nonpublic and Charter School Students Transported Resulting in a Net Underpayment of \$21,175.**

The District was underpaid a net total of \$21,175 in supplemental transportation reimbursements from the Pennsylvania Department of Education (PDE) for the 2014-15, 2015-16, and 2016-17 school years. This net underpayment was due to the District inaccurately reporting the number of nonpublic and charter school students transported by the District. (See page 29).

**Finding No. 4: The District Failed to Retain Required Supporting Documentation for Multiple Components of Its Transportation Reimbursement.**

The District did not comply with the record retention provision of the Public School Code when it failed to retain adequate documentation to support the number of students transported who were not eligible for reimbursement during the 2013-14 through 2016-17 school years. Additionally, the District failed to retain documentation to support the number of nonpublic and charter school students reported to PDE as transported during the 2013-14 school year. (See page 33).

**Finding No. 5: The Pottsville Area School District Failed to Conduct All Required Monthly Fire Drills and Did Not Maintain Adequate Supporting Documentation.**

Our review of the District's fire drill reports for the 2017-18 school year disclosed that the District failed to conduct fire drills each month, as required by Section 1517(a) of the Public School Code. We also found that the District did not maintain adequate documentation to support the fire drills reported to PDE at two of its three school buildings. Furthermore, we found discrepancies between the fire drill data reported to PDE and the supporting documentation. Consequently, the Superintendent inappropriately attested to the accuracy of the fire drill data reported. (See page 38).

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

With regard to the status of our prior audit recommendations, we found the District has taken appropriate corrective action in

implementing our recommendations pertaining to questionable payments made by the District into a tax sheltered annuity for a former employee. (See page 42).

## Background Information

School Characteristics 2017-18 School Year <sup>A</sup>	
County	Schuylkill
Total Square Miles	12
Number of School Buildings	3
Total Teachers	184
Total Full or Part-Time Support Staff	233
Total Administrators	14
Total Enrollment for Most Recent School Year	2,559
Intermediate Unit Number	29
District Vo-Tech School	Schuylkill Technology Center

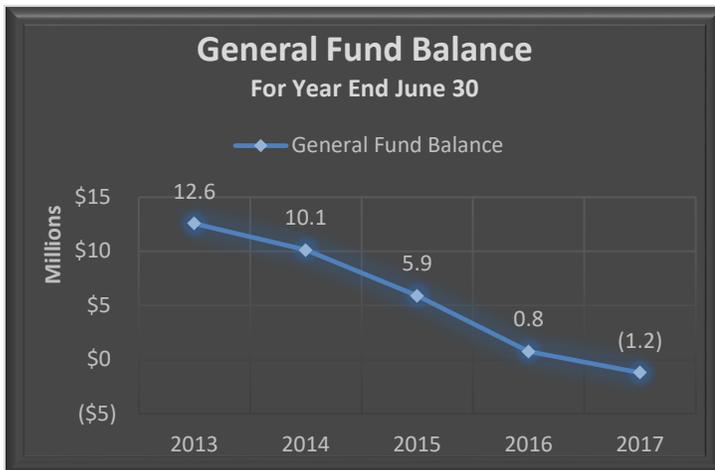
A - Source: Information provided by the District administration and is unaudited.

## Mission Statement<sup>A</sup>

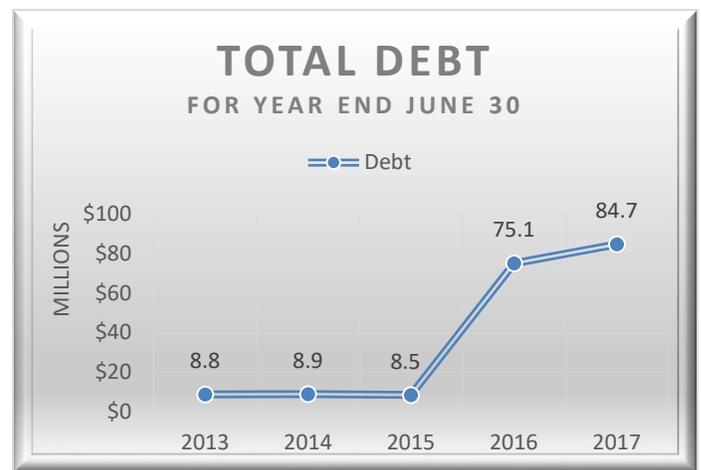
The mission statement of the Pottsville Area School District, in partnership with home and community, is to provide each student with diverse and challenging learning opportunities incorporating 21st century skills which foster responsible, creative citizens who understand and value the rewards of lifelong learning.

## Financial Information

The following pages contain financial information about the Pottsville Area School District (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**.

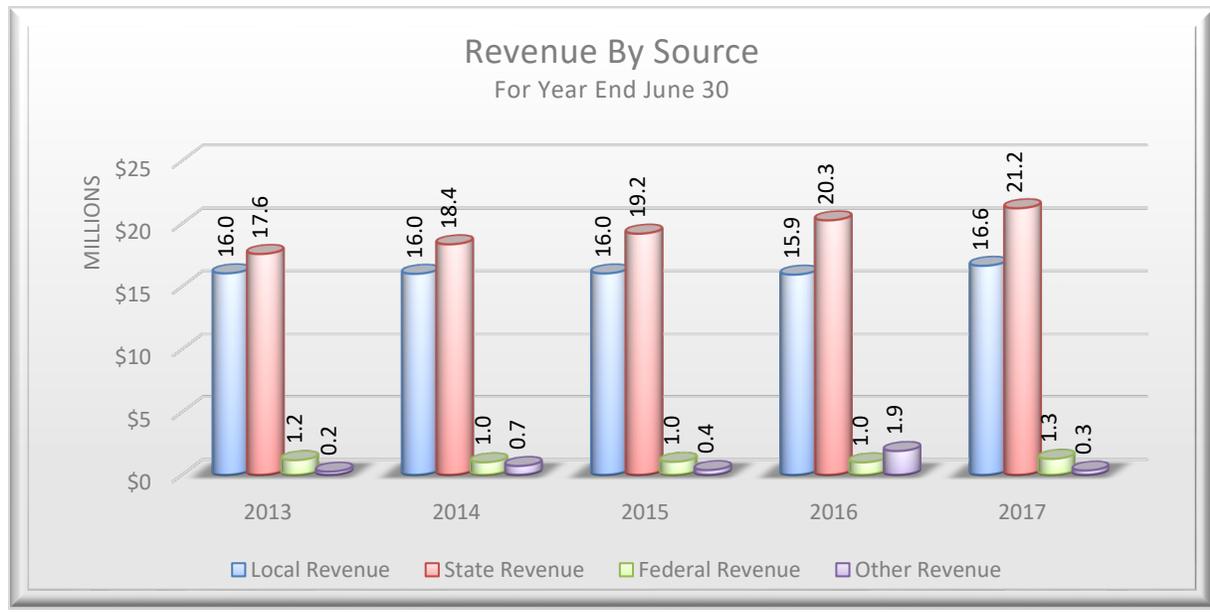
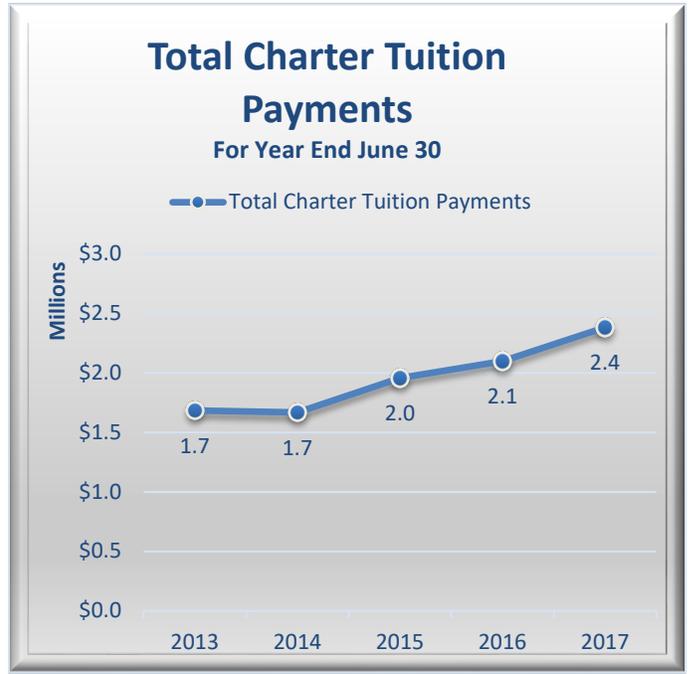
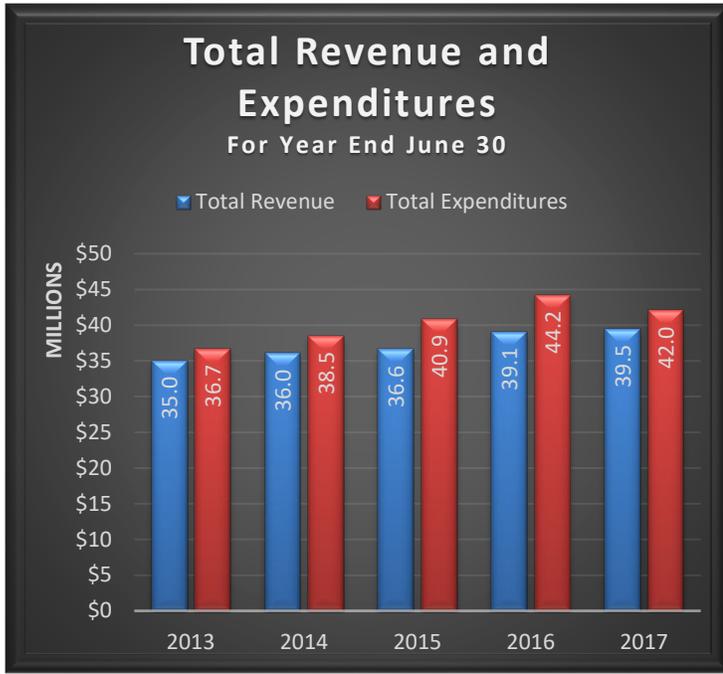


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**Note:** Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits, Compensated Absences and Net Pension Liability.

## Financial Information Continued



## Academic Information

The graphs on the following pages present 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 2014-15, 2015-16 and 2016-17 school years.<sup>1</sup> These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. 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>2</sup> Finally, 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>3</sup>

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

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 schools were put on hold due to changes with PSSA testing.<sup>4</sup> PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

### **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>5</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.

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

<sup>2</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.

<sup>3</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>4</sup> According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with PA Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

<sup>5</sup> Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. *See* 24 P.S. § 1-121(b)(1).

### **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 and Math. 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.<sup>6</sup> 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 a 4-Year Cohort Graduation Rate?**

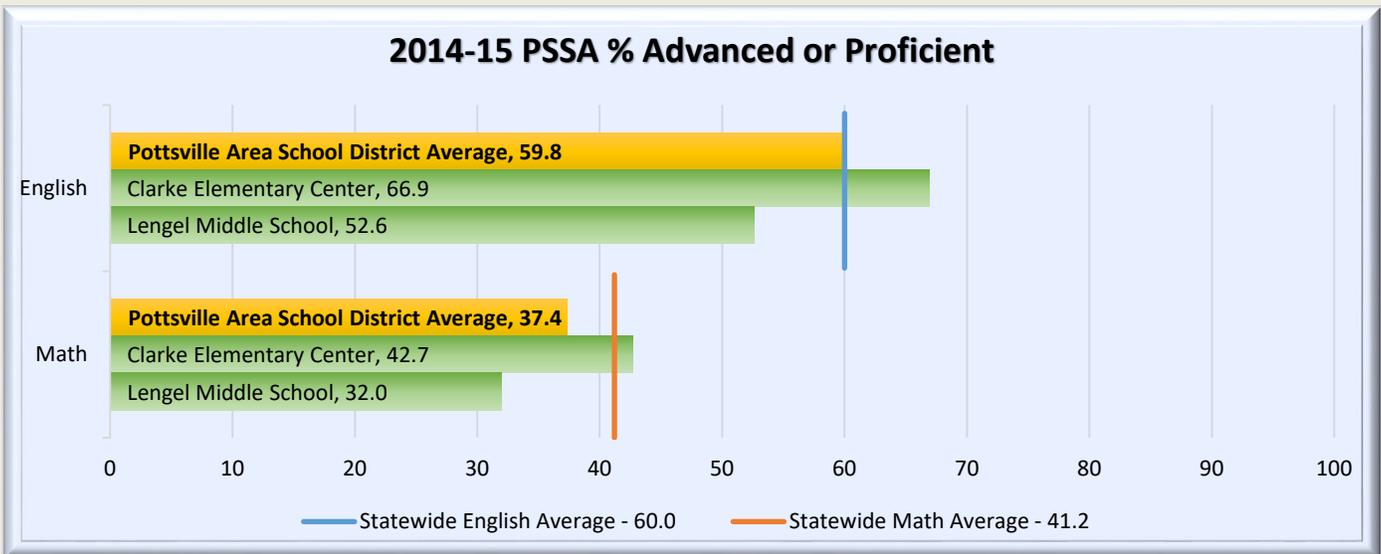
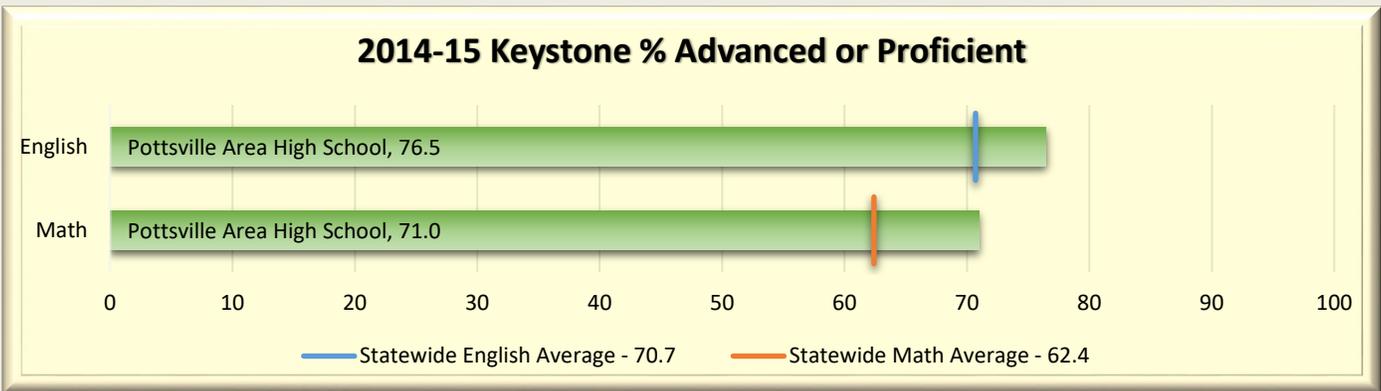
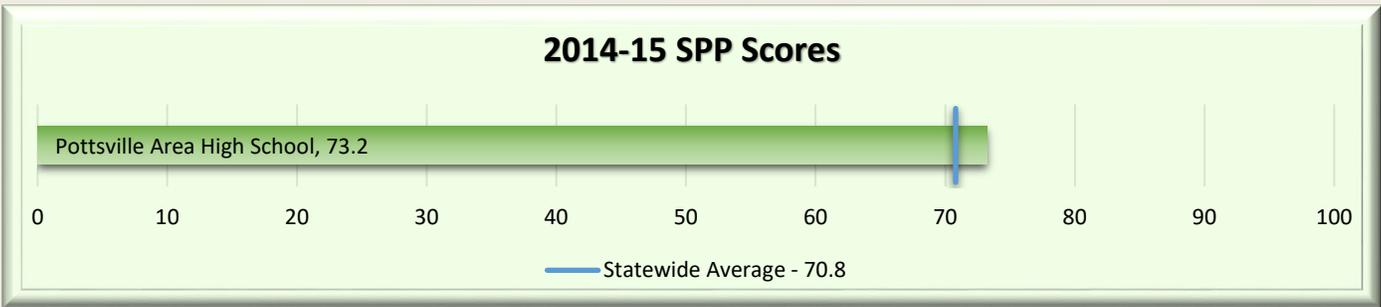
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student 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.<sup>7</sup>

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<sup>6</sup> PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

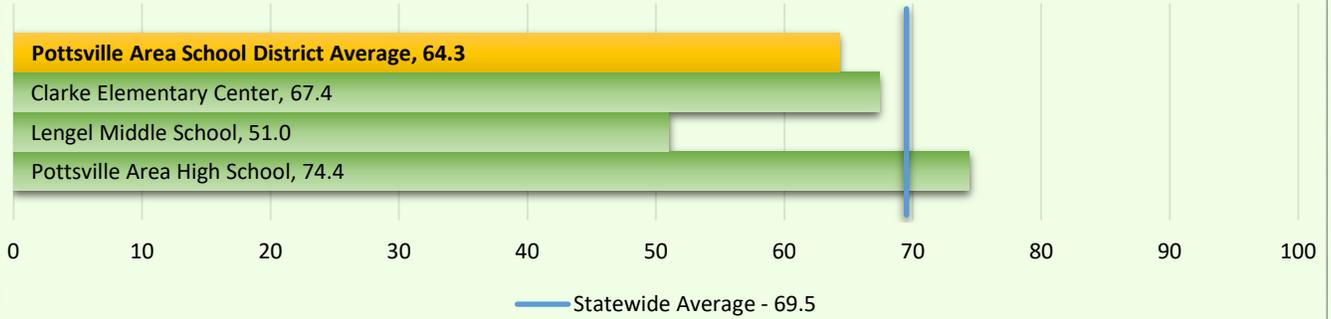
<sup>7</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

**2014-15 Academic Data**  
**School Scores Compared to Statewide Averages**

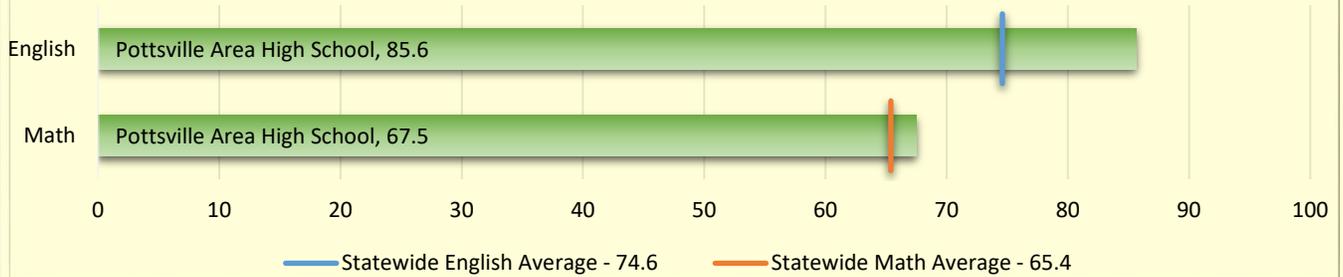


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

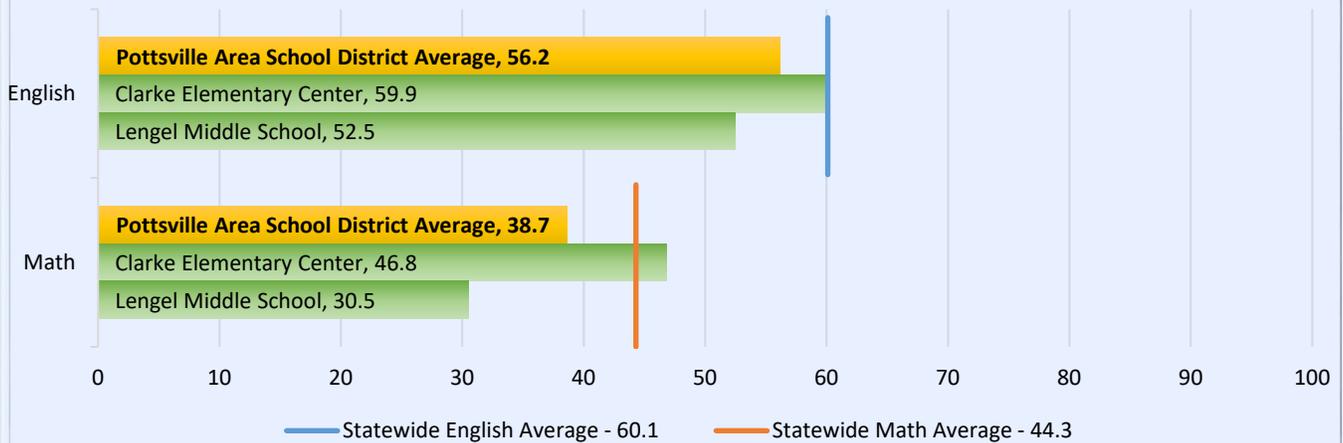
**2015-16 SPP Scores**



**2015-16 Keystone % Advanced or Proficient**

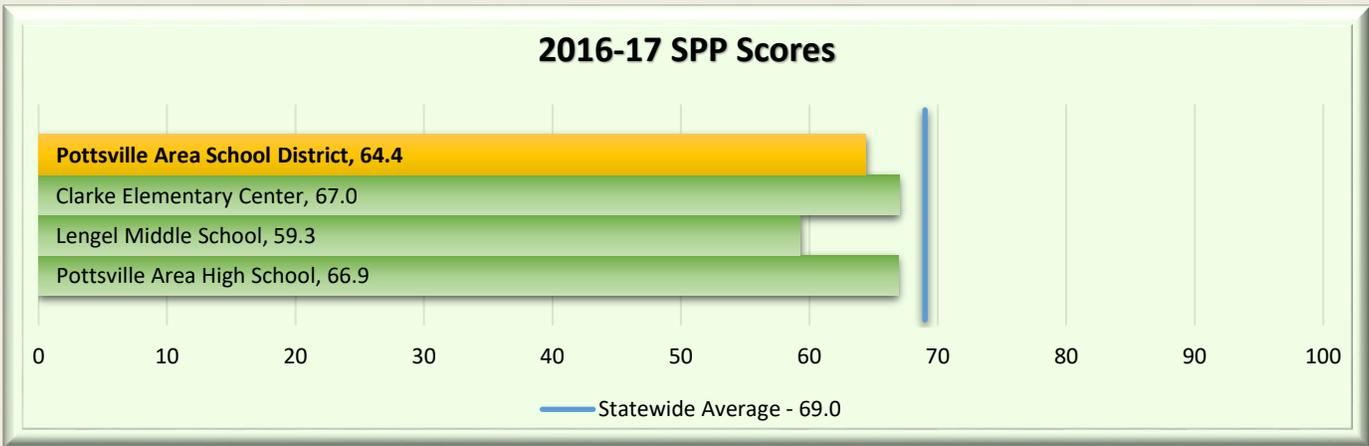


**2015-16 PSSA % Advanced or Proficient**

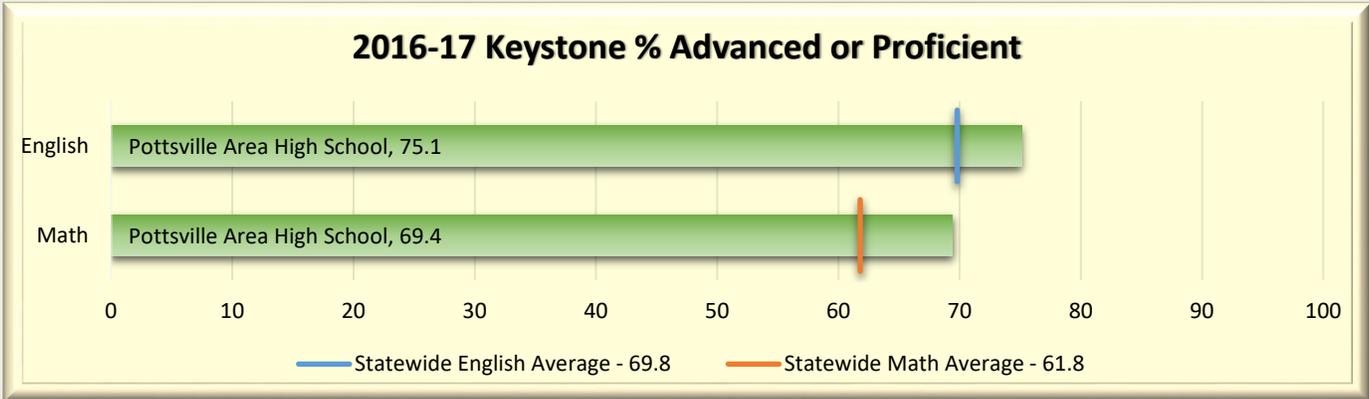


**2016-17 Academic Data**  
**School Scores Compared to Statewide Averages**

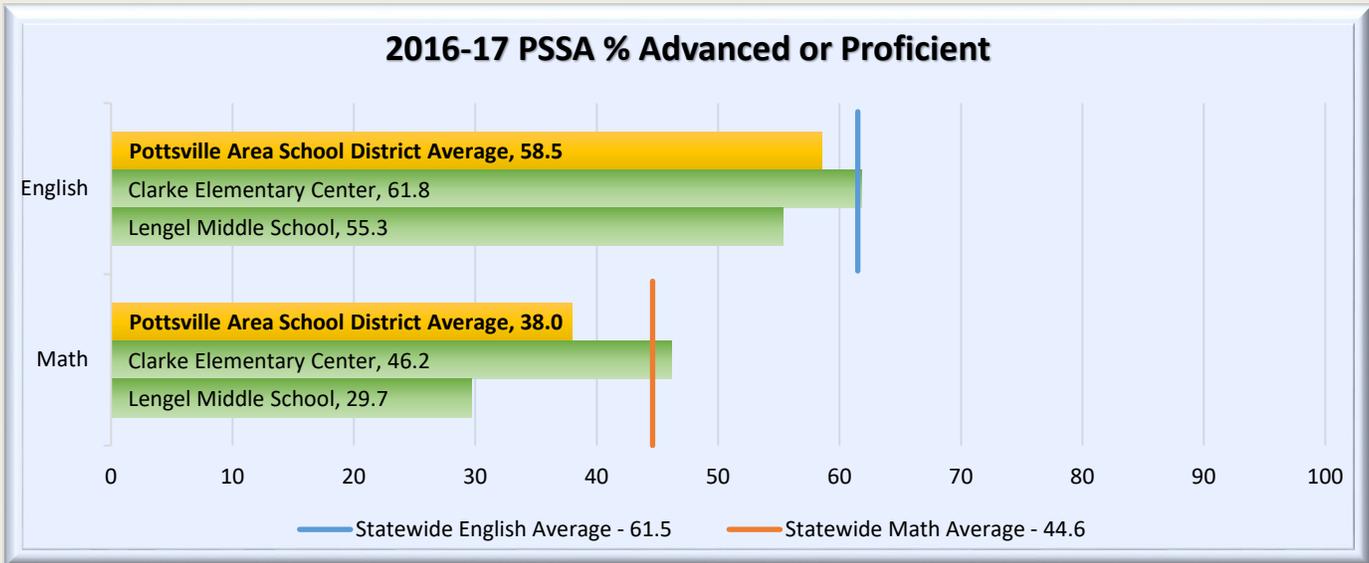
**2016-17 SPP Scores**



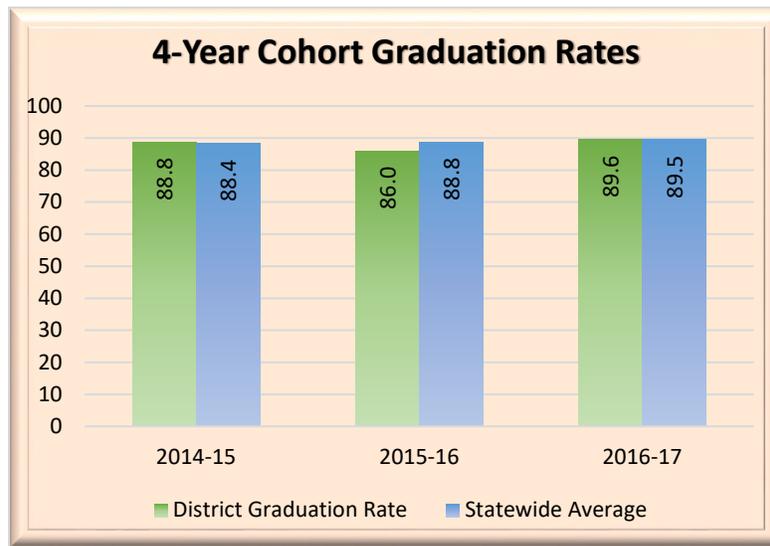
**2016-17 Keystone % Advanced or Proficient**



**2016-17 PSSA % Advanced or Proficient**



**Graduation Data**  
**District Graduation Rates Compared to Statewide Averages**



## Findings

### Finding No. 1

### A Cumulative Operating Deficit of \$14.3 Million Over Five Years Reduced the District's General Fund Balance to Negative \$1.2 Million as of June 30, 2018

#### *Criteria relevant to the finding:*

**The Government Finance Officers Association (GFOA)** has developed Budgeting Best Practices for School Districts. Among the best practices are:

**General Fund Reserve.** School districts should establish a formal process on the level of the unrestricted fund balance that should be maintained in the General Fund as a reserve to hedge against risk.

The GFOA recommends, at a minimum, that school districts maintain an unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating expenditures and operating transfer out.

Budgeting and maintaining adequate fund balances allow school boards and superintendents to maintain their educational programs and services with level tax adjustments. They also provide financial stability in emergency situations so that it is certain that employees and vendors are paid on time. Fund balances reduce interest expense or interim borrowing. In addition, stable fund balance history appeals more to underwriters and other creditors when construction projects are undertaken and the school district must enter the bond market.

Our review of the Pottsville Area School District's (District) financial position over a five-year period revealed that the District's General Fund balance decreased at an alarming rate.<sup>8</sup> The District's General Fund balance was \$12,563,088 on July 1, 2013. Due to operating deficits in the next five fiscal years, the District's General Fund balance decreased to negative **\$1,223,536** as of June 30, 2018.

In order to assess the District's financial stability, we reviewed several financial benchmarks to evaluate changes in its financial position over a period of five years from July 1, 2013 through June 30, 2018. Additionally, we reviewed the District's Board of School Directors (Board) oversight of the District's finances. The following benchmarks raised concerns related to the District's finances and will be discussed in the remainder of the finding:

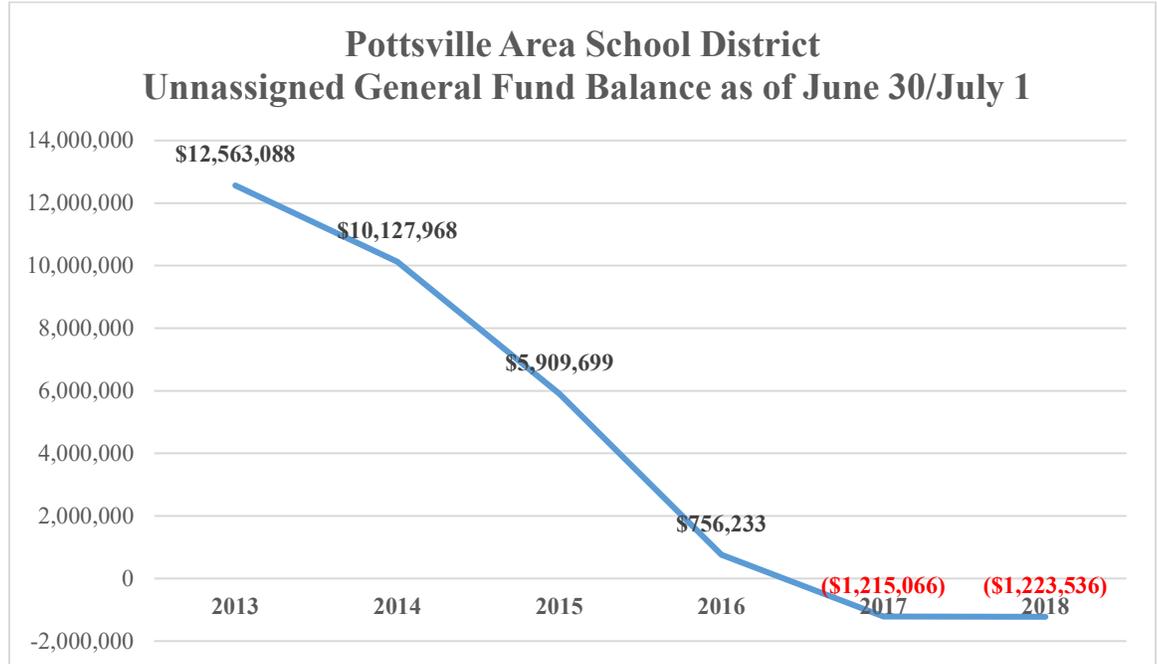
- General Fund Balance
- Operating Position
- Revenues
- Expenditures
- Budgeting

#### **General Fund Balance**

As illustrated in Chart 1 below, the District's General Fund balance has deteriorated during the period reviewed. The District's deficit **\$1,223,536** General Fund balance as of June 30/July 1, 2018, is significantly less than the fund balance recommended by the Government Finance Officers Association (i.e., two months of regular general fund operating revenues or regular general operating expenditures and operating transfers out).

<sup>8</sup> The Pottsville Area School District's General Fund balance was entirely of the unassigned classification during our period reviewed.

**Chart 1**



*Criteria relevant to the finding (continued):*

**The Pennsylvania School Boards Association in its *Annual Overview of Fiscal Health*** for the 2013-14 school year provided the following fiscal benchmarks.

- Financial industry guidelines recommend that fund balances be between five percent and ten percent of annual expenditures.
- Operating position is the difference between actual revenues and actual expenditures. Financial industry guidelines recommend that the district operating position always be positive (greater than zero).

In addition to the District not operating in accordance with well-established best practices, a negative General Fund balance is also concerning for the following reasons. First, if the District’s fund balance continues to decrease, it is in danger of being placed in *financial watch status* by the Pennsylvania Department of Education (PDE).<sup>9</sup> *Financial watch status* is a precursor to being placed in *financial recovery status* for districts that do not improve financially.<sup>10</sup> Second, a district placed in *financial recovery status* loses local control of district operations. In these instances, the District’s Board no longer has the authority to provide oversight of District operations. School districts in *financial recovery status* have a PDE-appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.<sup>11</sup>

<sup>9</sup> 24 P.S. § 6-611-A; see also Pennsylvania Code, Chapter 731. Early Warning System--Statement of Policy and 22 Pa. Code § 731.2 (“Early Warning System”).

<sup>10</sup> 24 P.S. § 6-601-A *et seq.*

<sup>11</sup> 24 P.S. § 6-631-A (relating to Appointment [of a chief recovery officer]) and 24 P.S. § 6-641-A (relating to Contents [of Plan]).

Criteria relevant to the finding  
(continued):

**Pottsville Area School District  
Board Policy # 601 states:**

**Purpose:** The Board recognizes its responsibility to district taxpayers to ensure that public monies expended by the school district are utilized for delivery of the educational program in a manner that mandates full value to the taxpayers, and that adequate procedures and records are established to ensure that end.

**Operating Position**

A school district’s operating position is an important indicator of a district’s financial health and is determined by comparing total operating revenues to total operating expenditures. The result of total expenditures and other financing uses exceeding total revenues and other financing sources is an operating deficit.<sup>12</sup> The following table shows the District’s operating position for the five-year period reviewed and the operating deficit that occurred during the period.

**Table 1<sup>13</sup>**

<b>Pottsville Area School District General Fund Operating Position</b>				
<b>Fiscal Year Ended June 30</b>	<b>Total Revenue</b>	<b>Total Expenditures</b>	<b>Net Other Financing Sources</b>	<b>Operating (Deficit)</b>
<b>2014</b>	\$35,348,733	\$38,119,302	\$ 335,449	<b>(\$2,435,120)</b>
<b>2015</b>	\$36,259,724	\$40,701,383	\$ 223,390	<b>(\$4,218,269)</b>
<b>2016</b>	\$37,185,077	\$44,006,741	\$1,668,198	<b>(\$5,153,466)</b>
<b>2017</b>	\$39,128,363	\$41,797,231	\$ 110,849	<b>(\$2,558,019)<sup>14</sup></b>
<b>2018</b>	\$39,589,164	\$40,117,134	\$ 519,500	<b>(\$8,470)</b>
<b>Total:</b>	<b>\$187,511,061</b>	<b>\$204,741,791</b>	<b>\$2,857,386</b>	<b>(\$14,373,344)</b>

As shown in the table above, the District’s total expenditures exceeded total revenues for each year reviewed. It is particularly alarming that the District’s expenditures are largely operational and not the result of debt service payments or capital outlays. The District’s debt service payments were under 5 percent of total expenditures for each fiscal year reviewed. Additionally, the District’s General Fund balance is concerning given that the District did not raise taxes until the 2016-17 school year.

<sup>12</sup> Other financing sources and uses are more variable in nature and are commonly referred to as one time revenue or expenditures. Common examples are borrowings and transfers from other District funds.

<sup>13</sup> Information obtained from the District’s Independent Auditor’s Report, Statement of Revenue, Expenditures and Changes in Fund Balance, fiscal years ending 2014 through 2018. We did not perform procedures to verify the accuracy of the amounts presented.

<sup>14</sup> This does not equal the change in General Fund balance due to a prior period adjustment of \$586,720 because the District overstated its health care benefits in the prior year.

*Criteria relevant to the finding (continued):*

**Pottsville Area School District Board Policy # 602 states:**

Purpose: The budget shall be designed to reflect the Board's goals and objectives concerning the education of district students. Therefore, the budget shall be organized and planned to ensure adequate understanding of the financial needs associated with program support and development. The financial requirements of district programs shall be reviewed on a continual basis.

**Pottsville Area School District Board Policy # 603 states:**

Purpose: The Board considers preparation of an annual budget to be one of its most important responsibilities because the budget is the financial reflection of the district's educational plan. The budget shall be designed to support the educational plan in a comprehensive and efficient manner, to maintain district facilities, and to honor district obligations.

In that year, the District raised taxes by 3.4 percent, which was consistent with the Act 1 index.<sup>15</sup> Increasing taxes during the 2013-14, 2014-15, and 2015-16 school years would have increased the revenue available to meet expenditures and would have led to a slower depletion of the General Fund balance.

**Revenues**

The District relies on two main revenue sources: Commonwealth subsidies and local revenues. Revenue from the Commonwealth comprised 54 percent of the District's total revenues in the 2017-18 fiscal year. The District's Commonwealth subsidy increased by 16 percent or approximately \$3 million over the five-year period analyzed. Local revenues are primarily generated from property taxes and comprised over 43 percent of the District's total revenue in the 2017-18 fiscal year.<sup>16</sup> The District's millage rate was 34.0 for the 2013-14 fiscal year and increased only twice in the five-year period reviewed.<sup>17</sup> The 2016-17 fiscal year millage rate was 35.150, and the 2017-18 millage rate was 38.574, which was a 13 percent increase from the beginning of the period reviewed. The District's local revenue increased by 8 percent or approximately \$1.3 million over the five-year period analyzed. Overall, the District's total revenue increased by 12 percent over the five-year period reviewed. The chart below shows the District's revenue sources for each year of the period reviewed.

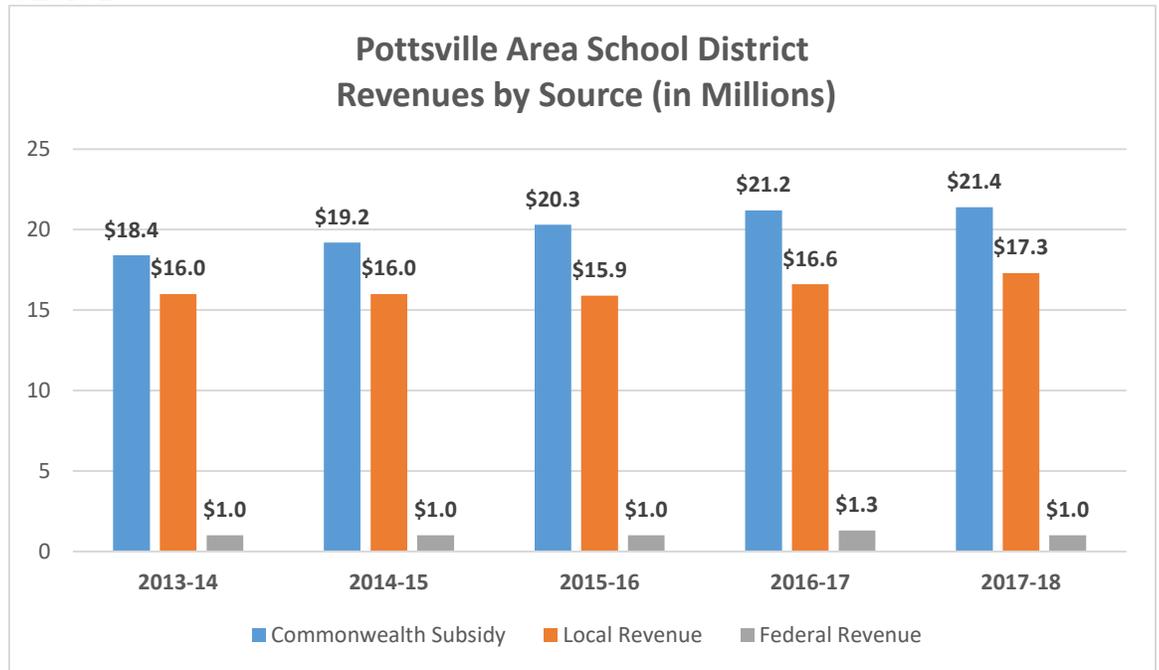
<sup>15</sup> According to PDE, Act 1 of 2006 as amended, entitled the Taxpayer Relief Act, "eases the financial burden of home ownership by providing school districts the means to lower property taxes to homeowners, especially senior citizens, via the funding provided by gaming revenue. It is anticipated that, ultimately, gaming will generate \$1 billion each year for local property tax relief."

<https://www.education.pa.gov/Teachers%20-%20Administrators/Property%20Tax%20Relief/Pages/default.aspx> (Accessed March 13, 2019).

<sup>16</sup> Federal revenues comprise the remaining 3 percent of the District's 2017-18 total revenues.

<sup>17</sup> Millage rates were increased in the 2016-17 and 2017-18 school year.

**Chart 2**



## Expenditures

District expenditures are categorized into four major functions: instructional,<sup>18</sup> support services,<sup>19</sup> non-instructional,<sup>20</sup> and other expenditures.<sup>21</sup> The District's operational (instructional, support services, and non-instructional services) expenditures increased by 2.6 percent during the period reviewed, from \$37.2 million in the 2013-14 fiscal year to \$38.2 million in the 2017-18 fiscal year. These expenditures comprised approximately 95 percent of the District's total expenditures in the 2017-18 fiscal year. These expenditures are detailed in the table below.

<sup>18</sup> Includes all activities dealing directly with the interaction between teachers and students and related costs (salaries, contracted services, travel expenses, equipment rental, supplies, books), which can be directly attributed to a program of instruction.

<sup>19</sup> Those services that provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction.

<sup>20</sup> Activities concerned with providing non-instructional services to students, staff or the community. Examples include food services, student activities, and community services.

<sup>21</sup> Other expenditures includes debt service and capital outlay expenditures.

**Table 2<sup>22</sup>**

Pottsville Area School District Expenditures by Fiscal Year						
Total Expenditures per IAR	Ended June 30, 2014	Ended June 30, 2015	Ended June 30, 2016	Ended June 30, 2017	Ended June 30, 2018	Totals
<b>Instructional</b>	\$24,167,943	\$25,849,790	\$28,879,430	\$26,745,252	\$25,672,752	\$131,315,167
<b>Support Services</b>	\$12,039,835	\$12,537,355	\$12,572,492	\$11,991,137	\$11,465,281	\$60,606,100
<b>Non-Instructional Services</b>	\$1,031,946	\$1,279,060	\$1,388,838	\$1,314,059	\$1,086,342	\$6,100,245
<b>Other Expenditures</b>	\$879,578	\$1,035,178	\$1,165,981	\$1,746,783	\$1,892,759	\$6,720,279
<b>Total:</b>	<b>\$38,119,302</b>	<b>\$40,701,383</b>	<b>\$44,006,741</b>	<b>\$41,797,231</b>	<b>\$40,117,134</b>	<b>\$204,741,791</b>

The District’s total expenditures increased during the 2014-15 and 2015-16 school years. The increase in total expenditures was the result of increasing instructional expenditures. Despite the District’s efforts to reduce instructional expenditures and total expenditures in the 2016-17 and 2017-18 fiscal years, the District’s General Fund balance continued to deteriorate.

*Health Care and Retirement Benefits*

Supplemental benefits and retirement contributions were costly for the District over the five-year period we reviewed.<sup>23</sup> Supplemental benefits are negotiated with the various employee groups at the District. The District offers medical, prescription, dental, and vision insurance to employees.

District retirement contributions are mandated by the Commonwealth. Employer contribution rates are determined annually by the Public School Employees’ Retirement System (PSERS). The employer contribution rates set by the PSERS increased from 16.93 percent of payroll in the 2013-14 fiscal year to 32.57 percent of payroll for the 2017-18 fiscal year. This was a significant

<sup>22</sup> The information was obtained from the District’s Independent Auditor’s Report, *Statement of Revenues, Expenditures, and Changes in Fund Balances*, for fiscal years ending 2014 through 2018. We did not perform procedures to verify the accuracy of the amounts presented.

<sup>23</sup> The District’s primary supplemental benefit is the medical, prescription, dental, and vision insurance that is provided to its employees.

increase, which placed an additional financial burden on the District. However, the PSERS provided projected employer contribution rates multiple years in advance, so District officials had an opportunity to determine how best to meet the increasing costs. It will be imperative for the District to increase revenues and/or reduce expenditures in some combination since it no longer has a General Fund balance that can absorb an operating deficit.

The table below illustrates the District’s health care and retirement contribution costs for the five year period reviewed. These combined costs have ranged between 25 percent and 29 percent of the District’s total expenditures during this time period.

**Table 3**

Pottsville Area School District Health Care Costs and Retirement Contributions						
<b>Fiscal Year:</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Totals</b>
<b>Health Care Costs<sup>24</sup></b>	\$6,487,488	\$7,035,920	\$6,668,151	\$6,750,659	\$6,328,573	\$33,270,791
<b>Retirement Contributions<sup>25</sup></b>	\$3,103,825	\$4,010,028	\$4,961,458	\$5,537,927	\$5,424,000	\$23,037,238
<b>Total:</b>	<b>\$9,591,313</b>	<b>\$11,045,948</b>	<b>\$11,629,609</b>	<b>\$12,288,586</b>	<b>\$11,752,573</b>	<b>\$56,308,029</b>

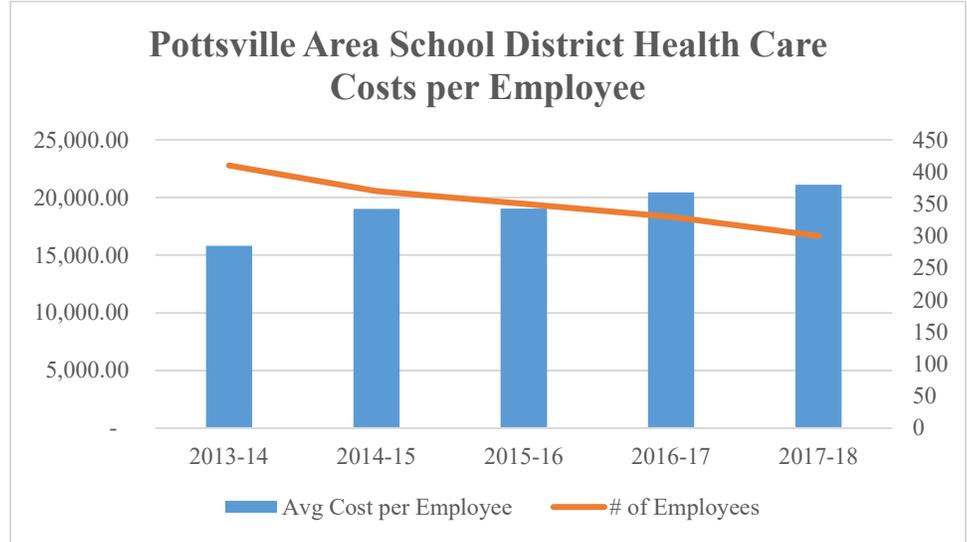
Although the District’s health care costs were relatively stable over the five-year period, the number of employees covered decreased each year, from approximately 410 in June 2014 to 300 in June 2018, a reduction of approximately 27 percent. Since the costs were relatively stable but the number of employees covered decreased significantly, the average cost per employee rose each year.

<sup>24</sup> Information obtained from vendor payment report, which was verified against health insurance invoices.

<sup>25</sup> Information obtained from the District’s Independent Auditor’s Report, Notes to the Financial Statements, fiscal years ending June 30, 2014 through 2018. We did not perform procedures to verify the accuracy of the amounts presented.

The chart below shows the District’s average health care cost per employee and illustrates the increase from over \$15,000/employee in the 2013-14 fiscal year to over \$21,000/employee in the 2017-18 fiscal year.

**Chart 3**

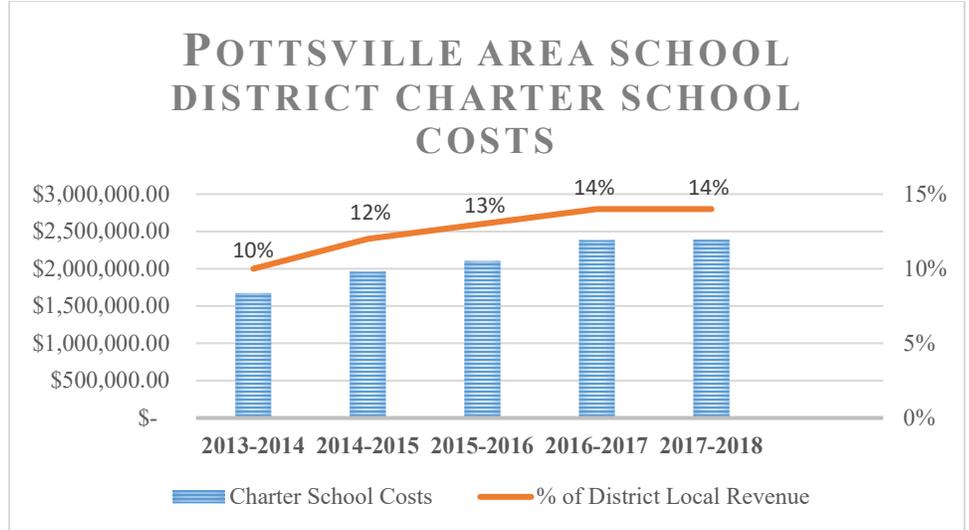


*Charter School Costs*

The District’s charter school tuition costs were a significant expenditure in each year we reviewed. Additionally, charter school tuition costs increased each year of the audit period. Charter school tuition costs increased by 43 percent during the period reviewed, from \$1,667,014 in the 2013-14 fiscal year to \$2,386,395 in the 2017-18 fiscal year. The District has a charter school within its physical boundaries and based on recent history, it expects charter school tuition costs to increase in the future.

The chart below illustrates the District’s charter school tuition costs and the percentage of charter school tuition costs to the District’s local revenue.

**Chart 4**



Charter school tuition costs adversely affected the District’s financial position and also reduced the funds available to support academic programs for the District. As the chart above illustrates, as the District’s charter school tuition costs increased, so did the percentage of local revenue needed to meet this increasing cost.<sup>26</sup>

**Budgeted Local Revenue**

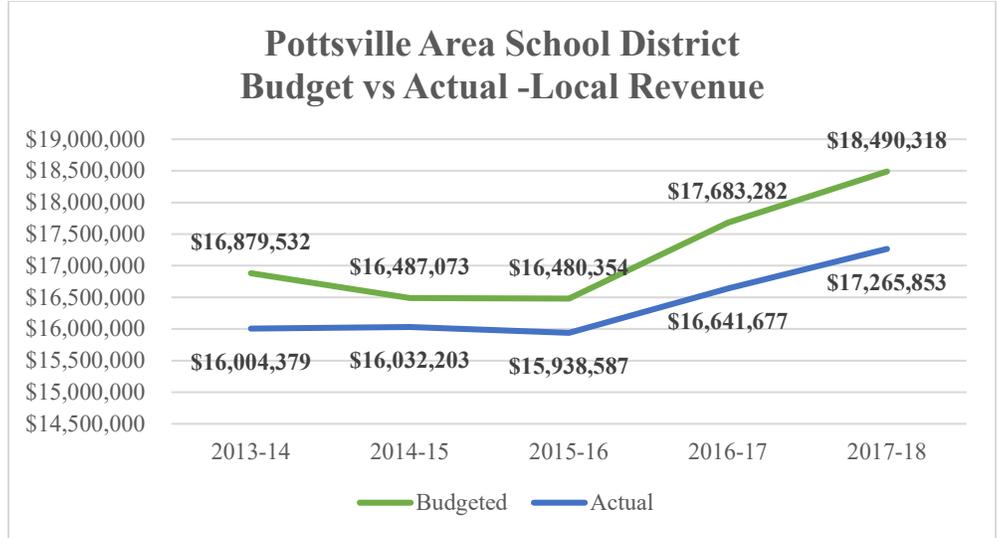
In each year of the five-year period reviewed, the District’s local revenue was significantly less than the budgeted amount. The District’s inaccurate budgeting for local revenue during the period reviewed is concerning and helped contribute to the District’s financial decline.

Furthermore, we noted that the amount budgeted in each year was higher than the amount actually collected in the previous year. For example, in the 2014-15 fiscal year, the District budgeted to collect \$16,487,073 million in local revenue after only collecting \$16,004,379 million in the previous fiscal year. This would be a reasonable expectation had the District raised taxes, but the District did not raise taxes until the 2016-17 fiscal year. Current District officials were unable to explain the rationale

<sup>26</sup> Districts must use local revenue to pay charter school tuition costs because the District does not receive additional state or federal revenue for charter school tuition costs.

behind the District’s inaccurate budgeting of local revenue. See the chart below that illustrates the District’s budgeted vs. actual local revenue for the period reviewed.

**Chart 5**



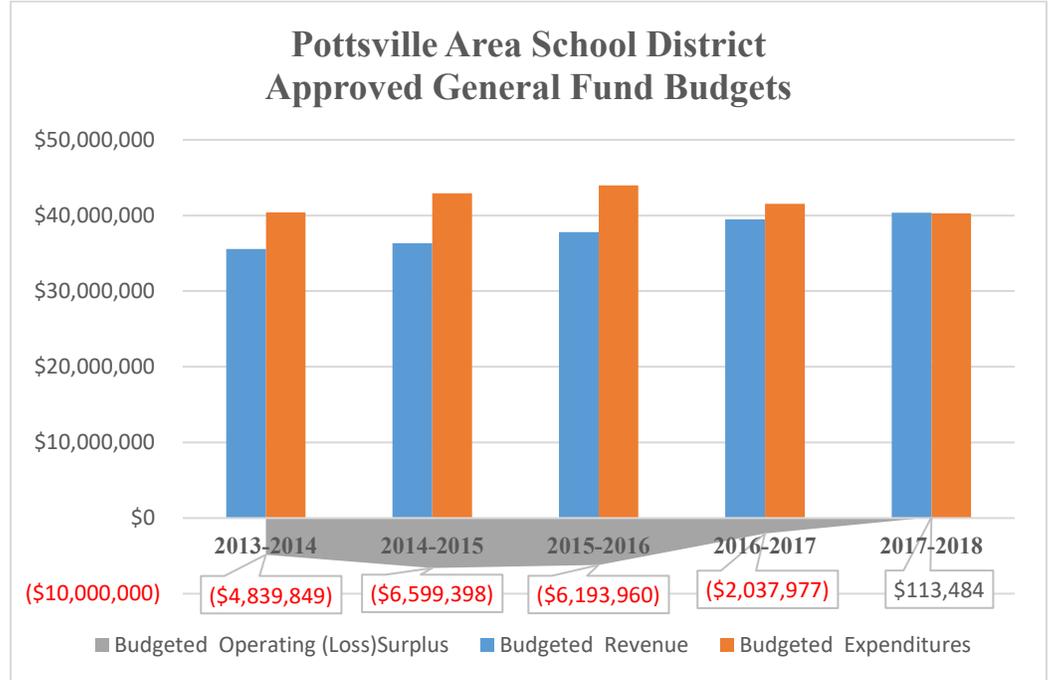
**Budgeted Operating Position**

As discussed earlier, a district’s operating position is the difference between total revenues and other financing sources compared to total expenditures and other financing uses. If total revenues and other financing sources exceed total expenditures and other financing uses, an operating surplus is achieved and the district’s General Fund balance increases. An operating deficit occurs when total expenditures and other financing uses exceed total revenues and other financing sources.

During the five-year period we reviewed, the District consistently prepared and the Board approved General Fund budgets with operating deficits. Budgeting for multiple operating deficits is a red flag for a district and a sign that the District expects its General Fund balance to decrease. Additionally, budgeting for an operating deficit should be an indicator to the District’s Board that additional revenue must be generated and/or expenditures must be decreased.

The chart below illustrates the District’s approved General Fund budgets for the audit period and highlights the significant operating deficits the District budgeted for in the 2013-14 through 2016-17 fiscal years.

**Chart 6**



**Lack of Board Oversight**

Numerous board policies stress the importance of planning, preparing, and adopting an annual budget that accurately reflects the District’s educational plan. Policy No. 603 states that the Board considers preparation of an annual budget to be one of its most important responsibilities. Additionally, Policy No. 602 states that the financial requirements of District programs shall be reviewed on a continual basis. However, we found that from July 1, 2013 until January 2018, the Board was not requiring the necessary financial information at monthly meetings to meet its fiduciary duties. During this time period, the Board was receiving a monthly bill list, a monthly budget to actual revenue report, and a month end cash balance report. The Board did not receive a monthly budget to actual expenditures report and therefore was unaware of what was being spent in each expenditure type (i.e., instructional, support, non-instructional, other). Without an expenditures report, the Board had no context to evaluate the monthly budget to actual revenue report. Additionally, during our

review of board minutes, we found that the Board failed to question the District’s inability to generate the local revenue amounts budgeted.

In January 2018, the Board began receiving the following monthly reports: bill list, year-to-date budget vs. actual report for revenue and expenditures, cash end balance, and a period report which compares year-to-date revenues and expenditures for the current year with the prior year. Each December, the comparison report includes notations from the Business Manager to explain any significant variances noted. While this is a step in the right direction, the Board would benefit from a five-year financial forecast for the District so that decisions can be made today to support the future financial health of the District.

School districts are required to obtain a financial audit of its financial statements annually, and the Board should be using the information in the independent auditor’s report (IAR) to make informed decisions related to the District’s finances. We found that the District’s IARs were not timely approved by the Board during our review period. As illustrated in the table below, the IARs for the 2015-16 through 2017-18 fiscal years were approved between 11 and 13 months after the fiscal year audited. Approving IARs significantly after the fiscal year of the report reduces the value of the report to the Board and does not allow the Board to adequately monitor and adjust the District’s financial plans and decisions.

**Table 4**

<b>Pottsville Area School District Board Approval of IARs</b>		
<b>For the Fiscal Year Ended June 30</b>	<b>Date IAR Opinion Letter Was Signed</b>	<b>Date of Board Approval</b>
<b>2014</b>	February 13, 2015	April 15, 2015
<b>2015</b>	December 15, 2015	January 20, 2016
<b>2016</b>	December 16, 2016	May 17, 2017
<b>2017</b>	February 28, 2018	August 15, 2018
<b>2018</b>	December 11, 2018	June 19, 2019

Additionally, we found that while the annual independent auditing firm was approved by the Board to complete the audit, the District did not have a written agreement between the District and the auditing firm. A written agreement would have documented the obligations of both parties and required the audit to be completed and presented to the

Board within a specified timeframe. According to the current District officials, the Board has asked that the 2018-19 fiscal year IAR be ready for presentation to the Board no later than December 31, 2019.

## **Conclusion**

The District's General Fund balance substantially deteriorated over the five years we reviewed and with it, the financial stability of the District deteriorated. During this time, the District had a cumulative operating deficit of over \$14 million and consistently budgeted for an operating loss. The District experienced increasing operational expenditures during this time period. However, the District did not adequately plan to generate sufficient revenue or reduce other expenditures to meet these increasing costs. Additionally, the Board did not adequately perform its oversight role of the District's financial operations. The Board was not timely approving the District's IARs and, for the majority of the period reviewed, the Board was not requiring financial reports needed to properly oversee the District's financial operations to be presented. The District will need to make significant operational changes to reverse the financial downturn that occurred during our review. Without these operational changes, the District is in danger of being placed on *financial watch status* by PDE.

## **Recommendations**

The *Pottsville Area School District* should:

1. Prepare a multi-year budget that includes a strategy to increase revenue and/or reduce expenditures or the growth of expenditures in order to achieve operating surpluses and increase its General Fund balance to meet the criteria suggested by the Government Finance Officers Association.
2. Continue to monitor the approved fiscal budget in comparison to actual revenues and expenses, and report to the Board monthly on cost overruns or revenue shortfalls to determine ways to reduce expenditures during the remainder of the school year.
3. Display the multi-year budget prominently on its website for the public so that taxpayers and District

officials can publicly discuss the details of the budget at open meetings.

4. Enter into a written contract with the District's independent auditing firm that includes the timeline for audit completion and presentation to the Board.

### **Management Response**

District management provided the following response:

The District agrees with the audit finding. The District has put plans in place to mitigate further losses through the reduction of staff, reduction of expenditures, increase of real estate and occupation taxes for the last 4 years, changes in health care for non-bargained groups.

The District has been significantly impacted due to growth in charter school enrollments which has been the main uncontrollable factor that has contributed to the deterioration of the District's fund balance. As can be seen in chart 4, the District has seen significant increases in this expense line.

The District has made a concerted effort to reduce the number of employees/retirees covered under the healthcare plan. This has been done through removing post-65 retirees from health coverage, reduction of full time staff, etc. This effort helped mitigate the healthcare total spent by the District, but we also recognize there are further changes that need to occur in order to reduce healthcare expenses. Healthcare is a bargained benefit that must be negotiated with employee unions.

The District has made direct efforts to improve budgeting practices. We do a five year look back on revenues and expenditures to better predict future amounts. This has helped us bring in line the budget estimates for local revenues which had significant variances in prior budget periods.

The District has consistently passed balanced budgets for the last several fiscal years beginning with the 2017-18 budget through the 2019-20 budget. This has greatly improved our financial management in having to analyze each year what reductions may be required to have a balanced budget.

The District will make every attempt to implement the recommendations set forth in this finding. We are currently in the process to administratively brainstorm possible reductions for the 2020-21 budget process. Our ultimate goal is to have a five year budget, but we are still focusing on current operational efficiencies to improve financial outlook.

### **Auditor Conclusion**

We are pleased that the District is evaluating cost savings measures and is more accurately budgeting. We continue to stress the importance of a multi-year budget that will help the District identify the revenue needed to meet expenditures. We also continue to emphasize the importance of requiring the annual independent audit to be completed and approved by the Board timely. The completed IAR should be used by the District to make informed financial decisions. We will evaluate the District's corrective actions during our next audit.

**Finding No. 2****A Board-Approved Separation Agreement Cost the District More than \$200,000***Criteria relevant to the finding:*

Section 10-1073 (relating to Manner of election or approval) of the Public School Code (PSC) provides, in part:

“(e) The following shall apply:\*\*\*

(2) A contract for the employment of a district superintendent or assistant district superintendent shall do all of the following:

(v) Specify the termination, buyout and severance provisions, including all postemployment compensation and the period of time in which the compensation shall be provided. Termination, buyout and severance provisions may not be modified during the course of the contract or in the event a contract is terminated prematurely.

In October 2015, the District approved a five-year employment contract with the former Business Manager for the term of July 1, 2016 through June 30, 2021. This contract did not include any provisions for salary or benefit payments to the Business Manager in the event the contract was terminated early. In May 2017, approximately one year into the five-year contract, the District entered into a separation agreement with the former Business Manager. The agreement was approved by the Board at a public meeting held on May 3, 2017. The total cost to the District for the separation was \$201,613, which represents:<sup>27</sup>

- 21 months of salary in the amount of \$181,518
- 7 months of healthcare benefits in the amount of \$14,354
- Payment for unused vacation and personal days in the amount of \$5,741

The Public School Code (PSC) limits the amount that a District can pay to a superintendent or assistant superintendent in the event that an employment contract is terminated early (see criteria box). Based on these criteria, a superintendent who is one year into a five-year contract would only be eligible for payment of one year’s salary and benefits. While this criteria does not apply explicitly to a business manager, it is reasonable that a District should not pay more to sever employment with a business manager than it would to sever employment with a superintendent. Had the District paid the Business Manager based on the separation criteria for superintendents, the District would have paid 12 months’ salary totaling \$105,688 instead of 21 months’ salary totaling \$181,518, saving \$75,830. This is especially significant given the District’s unfavorable financial position as discussed in Finding No. 1 on page 11 of this report.

<sup>27</sup> Pursuant to the May 1, 2017 separation agreement, the \$181,518 lump sum payment is equal to 21 months of salary and shall NOT include any increases, raises, COLA adjustments, or the like. The agreement also allowed for 10.5 months of healthcare benefits; however, it was terminated after 7 months since new employment was obtained by the former Business Manager.

*Criteria relevant to the finding  
(continued):*

- (3) No agreement between the Board of School Directors and a District superintendent or assistant district superintendent for a negotiated severance of employment prior to the end of the specified contract term shall provide for severance compensation to the District superintendent or assistant district superintendent, including the reasonable value of any noncash severance benefits or postemployment benefits not otherwise accruing under the contract or pursuant to law, that:
- (i) If the agreement takes effect two (2) years or more prior to the end of the specified contract term, exceeds the equivalent of one (1) year's compensation and benefits otherwise due under the contract.
  - (ii) If the agreement takes effect less than two (2) years prior to the end of the specified contract term, exceeds the equivalent of one-half of the total compensation and benefits due under the contract for the remainder of the term." See 24 P.S. § 10-1073(e)(2)-(3).

Although the payment of \$5,741 for unused vacation and personal days was not provided for in the approved employment contract or the separation agreement, the payment was negotiated prior to the separation agreement and was paid in January 2017. While it is standard practice and reasonable to pay a separating employee for unused vacation time, the parameters for such a payment should be clearly spelled out in the employment contract so as to avoid any potential disputes about the amount that should be paid out.

According to District officials, the District chose to enter into a settlement agreement with the former Business Manager in order to avoid a potentially time consuming separation process that could have cost the District even more than what was paid. While we cannot conclude if the settlement agreement would have cost less than a full separation process, we reiterate our point that the District should carefully consider whether payouts that exceed those allowed by law for a superintendent is a good use of taxpayer dollars.

### **Recommendations**

The Pottsville Area School District should:

1. Apply the contract termination provisions applicable to superintendents to all individual employment contracts to ensure that no individually contracted employee receives more than *one* year's salary and benefits upon early termination of the contract.
2. Ensure that all future employment contracts with administrators contain specific provisions related to allowable payouts for unused vacation, personal, and sick time.

### **Management Response**

District management provided the following response:

"The District agrees with the audit finding in relation to the separation agreement. Although the District did not have the clause limiting termination provisions to no more than one year's salary and benefits, in the prior agreement, we feel it is a prudent practice to begin in future agreements.

The District will implement this language in future contracts for individually contracted employees.”

**Auditor Conclusion**

We are pleased that the District plans to implement our recommendation limiting termination provisions to no more than one year’s salary and benefits. We continue to recommend that the District include provisions in future employment contracts that contain specific provisions related to allowable pay-outs for unused vacation, personal, and sick time. We will review the District’s corrective actions taken during our next audit of the District.

### **Finding No. 3**

## **The District Inaccurately Reported the Number of Nonpublic and Charter School Students Transported Resulting in a Net Underpayment of \$21,175**

#### **Supplemental Transportation Subsidy for Public Charter School and Nonpublic School Students**

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

Section 1726-A(a) of the CSL addresses the transportation of charter school students in that: “[s]tudents who attend a charter school located in their school district of residence, a regional charter school of which the school district is a part or a charter school located outside district boundaries at a distance not exceeding ten (10) miles by the nearest public highway shall be provided free transportation to the charter school by their school district of residence on such dates and periods that the charter school is in regular session whether or not transportation is provided on such dates and periods to students attending schools of the district. . . .” *Ibid.*

The District was underpaid a net total of \$21,175 in supplemental transportation reimbursements from PDE for the 2014-15, 2015-16, and 2016-17 school years.<sup>28</sup> This net underpayment was due to the District inaccurately reporting the number of nonpublic and charter school students transported by the District.

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 to transport 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 charter school and nonpublic school students transported at any time during the school year. The errors identified in this finding pertain to the District’s supplemental transportation reimbursement.

According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.<sup>29</sup> The PSC requires school districts to provide transportation services to students who reside in its district and who attend a charter school or nonpublic school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district. This reimbursement was made applicable to the transportation of charter school students pursuant to an equivalent provision in the Charter School Law (CSL), which refers to Section 2509.3 of the PSC.<sup>30</sup> If a district transports one

<sup>28</sup> We were unable to determine if the District accurately reported nonpublic and charter school students during the 2013-14 school year due to the District’s failure to retain the necessary supporting documentation (see Finding No. 4).

<sup>29</sup> *See* Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

<sup>30</sup> *See* 24 P.S. § 17-1726-A(a) which refers to 24 P.S. § 25-2509.3. A charter school is an independent public school and educates public school students within the applicable school district. *See* 24 P.S. § 17-1703-A (relating to “Definitions”).

*Criteria relevant to the finding (continued):*

Section 1726-A(a) of the CSL further provides for districts to receive a state subsidy for transporting charter school students both within and outside district boundaries in that: “[d]istricts providing transportation to a charter school outside the district and, for the 2007-2008 school year and each school year thereafter, districts providing transportation to a charter school within the district shall be eligible for payments under section 2509.3 for each public school student transported.”

nonpublic/charter school student for one day, the district is eligible for the \$385 reimbursement.

It is important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for the transportation subsidies. The Pottsville Area School District did annually file this statement for each school year discussed in our finding.

The table below illustrates the District’s nonpublic and charter school student reporting errors and the resulting net transportation reimbursement underpayment.

<b>Pottsville Area School District Nonpublic and Charter Reporting Errors</b>				
<b>School Year</b>	<b>Nonpublic Students (Under)/Over Reported</b>	<b>Charter School Students (Under)/Over Reported</b>	<b>Net Number of Students (Under)/Over Reported</b>	<b>(Underpayment)/Overpayment<sup>31</sup></b>
<b>2014-15</b>	25	(15)	10	\$3,850
<b>2015-16</b>	23	(10)	13	\$5,005
<b>2016-17</b>	(76)	(2)	(78)	(\$30,030)
<b>Total</b>	<b>(28)</b>	<b>(27)</b>	<b>(55)</b>	<b>(\$21,175)</b>

The net underpayment occurred primarily due to the District reporting the number of nonpublic and charter school students transported as of the last day of the school year. The District did not report students who were transported by the District at some point during the school year, but discontinued District transportation services during the course of the school year. The District’s failure to report all nonpublic and charter school students transported during the 2016-17 school year resulted in the District being underpaid over \$30,000 in supplemental reimbursement for that school year.

Additionally, the District inaccurately reported some students transported as nonpublic school students during the 2014-15 and 2015-16 school years. The District did not have PDE required documentation stating that these

<sup>31</sup> Calculated by multiplying the “Nonpublic Students Over/(Under) Reported” column by \$385.

*Criteria relevant to the finding (continued):*

Section 2509.3 of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. This payment provision is also applicable to charter school students through Section 1726-A(a) of the CSL. *See* 24 P.S. § 17-1726-A(a); 24 P.S. § 25-2509.3.

**Sworn Statement and Annual Filing Requirement**

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. *See* 24 P.S. § 25-2543.

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.” (Emphasis added.)

PDE has established a Summary of Students Transported form (PDE-2089) and relevant instructions specifying how districts are to report nonpublic and charter school students transported to and from school.

students requested and were transported to nonpublic schools. The District was reliant solely on one District official to compile and report nonpublic and charter school students during the audit period. A second level review of this data could have helped identify students who were incorrectly reported without PDE required documentation.

It is essential that the District accurately report transportation data to PDE and retain the support for this reported transportation data. Further, the sworn statement of student transportation data should not be filed with the State’s Secretary of Education unless the data has been double-checked for accuracy by personnel trained on PDE’s reporting requirements.

We provided PDE with reports detailing the nonpublic and charter school reporting errors for the 2014-15, 2015-16, and 2016-17 school years. PDE requires these reports to verify the net underpayment to the District. The District’s future transportation subsidies should be adjusted by the amount of the underpayment.

**Recommendations**

The *Pottsville Area School District* should:

1. Develop and implement a written procedure to have a District official other than the person who prepares the transportation reports review transportation data prior to submission to PDE and ensure that this procedure includes reconciling requests for transportation to nonpublic and charter school student rosters.
2. Ensure personnel in charge of reporting transportation data are trained with regard to PDE’s reporting guidelines for nonpublic and charter school students.
3. Review the nonpublic and charter school students preliminarily submitted for the 2017-18 school year, and if errors are found, submit revised reports to PDE.

*Criteria relevant to the finding (continued):*

**Number of Nonpublic School Pupils Transported**

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

The *Pennsylvania Department of Education* should:

4. Adjust the District's future allocations to resolve the \$21,175 underpayment to the District.

**Management Response**

District management provided the following response:

"The District agrees with the finding and has put procedures in place during the audit to accurately capture the number of Nonpublic and Charter School students being transported. The District was capturing a point in time count rather than a cumulative annual count.

In addition to the corrections made through the audit finding, the District made a correction with the 2017/2018 transportation report which corrected the subsidy received during the 2018/2019 school year based on a cumulative student transported count. These procedures will remain in place for future fiscal years."

**Auditor Conclusion**

We are pleased that the District is implementing procedures to help accurately report the number of nonpublic and charter school students. We continue to emphasize that these procedures should include a review of transportation data by a District official other than the official who prepares the data. We also continue to recommend that the personnel in charge of reporting transportation data are trained with regard to PDE's reporting requirements. We will evaluate the effectiveness of the District's corrective actions during our next audit.

## Finding No. 4

## The District Failed to Retain Required Supporting Documentation for Multiple Components of Its Transportation Reimbursement

### *Criteria relevant to the finding:*

#### **Record Retention Requirement**

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

#### **Student Transportation Subsidy**

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

#### **Total Students Transported**

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

The District did not comply with the record retention provision of the PSC when it failed to retain adequate student transportation documentation. Specifically, the District failed to retain documentation to support the number of students transported who were not eligible for reimbursement during the 2013-14 through 2016-17 school years. Additionally, the District failed to retain documentation to support the number of nonpublic and charter school students reported to PDE as transported during the 2013-14 school year.<sup>32</sup>

Without proper documentation, we were unable to determine the appropriateness of the regular transportation reimbursement received by the District for the 2013-14 through 2016-17 school years. Further, we were unable to determine the appropriateness of the supplemental transportation reimbursement received by the District for the 2013-14 school year. It is absolutely essential that records related to the District's transportation expenses and reimbursements be retained in accordance with the PSC's record retention provision (for a period of not less than six years) and be readily available for audit.<sup>33</sup> As a state auditing agency, it is extremely concerning to us that the District did not have the necessary and legally required documents available for audit. Periodic auditing of such documents is extremely important for District accountability and verification of accurate reporting.

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 to transport 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 charter school and nonpublic

<sup>32</sup> See Finding No. 3 for the results of our review of nonpublic and charter school students for the remaining years of the audit period.

<sup>33</sup> *See* 24 P.S. § 5-518.

*Criteria relevant to the finding (continued):*

**Non-reimbursable Students**

Non-reimbursable students are elementary students who reside within 1 ½ miles of their elementary school and secondary students who reside within 2 miles of their secondary school. Non-reimbursable students do not include special education students or students who reside on routes determine by PennDOT to be hazardous. *See* 24 P.S. § 25-2541(c)(1) and (c)(2).

**Supplemental Transportation Subsidy for Nonpublic School Students**

Section 2509.3 of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. *See* 24 P.S. § 25-2509.3.

The CSL, through its reference to Section 2509.3 of the PSC, extends the \$385 per student payment to charter school students. *See* 24 P.S. §17-1726A(a).

**Sworn Statement and Annual Filing Requirements**

Section 2543 of the PSC sets forth the requirement for school districts to annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. *See* 24 P.S. § 25-2543.

school students transported at any time during the school year.

**Regular Transportation Reimbursement (Non-reimbursable Students)**

Non-reimbursable students are defined as elementary students residing less than 1.5 miles from school and secondary students residing less than 2 miles from school, excluding special education and vocational students, as well as students who live on a Pennsylvania Department of Transportation (PennDOT) defined hazardous route. Districts can choose to transport these students, but if transported, the District must report these students as non-reimbursable to PDE. Districts that transport non-reimbursable students receive reduced regular transportation reimbursement from PDE compared to if the students were reimbursable.

The table below illustrates the number of non-reimbursable students reported to PDE during the audit period and the reductions to the District’s regular transportation reimbursement as a result of reporting these students as non-reimbursable.

Pottsville Area School District Non-reimbursable Students Reported to PDE		
School Year	Non-Reimbursable Students Reported to PDE	Reductions to Regular Transportation Reimbursement Received
2013-14	303	\$ 22,651
2014-15	697	\$ 54,399
2015-16	664	\$ 54,588
2016-17	266	\$ 20,887
<b>Total</b>	<b>1,930</b>	<b>\$152,525</b>

The reported number of non-reimbursable students increased sharply from the 2013-14 to 2014-15 school year and sharply decreased from the 2015-16 to 2016-17 school year. Based on past accumulative experience, fluctuations like these necessitate a review of the reported information;

*Criteria relevant to the finding  
(continued):*

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.” (Emphasis added.)  
Ibid.

however, the District was unable to produce supporting documentation for the number of non-reimbursable students reported to PDE. Without this supporting documentation, we were unable to verify the accuracy of the \$152,525 in reductions to the District’s regular transportation reimbursement received. It is very concerning that the District lacked the transportation reporting infrastructure to produce supporting documentation for the number of non-reimbursable students reported to PDE since this classification is based on each student’s distance from their respective school building.

### **Supplemental Transportation Reimbursement**

The PSC requires school districts to provide transportation services to students who reside in its district and who attend a charter school or nonpublic school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district. This reimbursement was made applicable to the transportation of charter school students pursuant to an equivalent provision in the CSL, which refers to Section 2509.3 of the PSC.<sup>34</sup> The District received \$74,305 in supplemental transportation reimbursement for the 2013-14 school year and the errors discussed in Finding No. 3 on page 29 of this report emphasize the necessity of reviewing the District’s supplemental transportation reimbursement.<sup>35</sup> However, the District could not provide rosters or requests for transportation for the reported number of nonpublic and charter school students. The District attributed the lack of supporting documentation to turnover in its transportation department.

### **Conclusion**

The District failed in its fiduciary duties to act in the best interest of taxpayers and did not comply with the PSC by not retaining this information. Without the documentation, we could not determine whether the amount of regular transportation reimbursement received was appropriate for the 2013-14 through 2016-17 school years. Additionally,

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<sup>34</sup> See 24 P.S. § 17-1726-A(a) which refers to 24 P.S. § 25-2509.3. A charter school is an independent public school and educates public school students within the applicable school district. See 24 P.S. § 17-1703-A (relating to “Definitions”).

<sup>35</sup> The District reported to PDE that it transported 131 nonpublic school students and 62 charter school students during the 2013-14 school year.

we were unable to verify the accuracy of the \$74,305 received in supplemental transportation reimbursement for the 2013-14 school year. Transportation expenses and the subsequent transportation reimbursements are significant factors that can impact the District's overall financial position. Therefore, it is in the best interest of the District to ensure that it regularly and consistently meets its fiduciary duties and complies with the PSC's record retention requirements. Again, as a state auditing agency, it is very concerning that the District did not comply with the PSC when it failed to maintain the required documentation for audit review and verification for the sake of District accountability.

### **Recommendations**

The *Pottsville Area School District* should:

1. Immediately take the appropriate administrative measures to ensure that it retains all documentation supporting the transportation data reported to PDE, including all supporting documentation for non-reimbursable students, in accordance with the PSC's record retention requirements.
2. Establish a safe and adequate location to store all source documents and calculations supporting the transportation data submitted to PDE.
3. Ensure that record retention procedures are documented and staff are trained on the procedures.

### **Management Response**

District management provided the following response:

“The District agrees with the audit finding and has worked directly with the state auditors to put in place measures that will ensure that all supporting documentation is in place and stored for future audit years beginning with the 2019/2020 school year.

In particular, our transportation department worked with our student management software to ensure that all student counts are accurate and also worked with our busing software to ensure that student counts matched. All student transportation request forms are being filed accordingly for

record keeping. Safeguards are being implemented in the Transportation department to ensure the proper supporting documentation is in place for the 2019/2020 school year.”

**Auditor Conclusion**

We are pleased that the District has put measures into place to ensure all supporting documentation is retained for audit. We continue to recommend that the District ensure record retention procedures are documented and that all District staff are trained on these procedures. We will evaluate the effectiveness of the District’s corrective actions during our next audit.

## Finding No. 5

## The Pottsville Area School District Failed to Conduct All Required Monthly Fire Drills and Did Not Maintain Adequate Supporting Documentation

### *Criteria relevant to the finding:*

The following PSC provisions, as implemented by PDE in its guidance for the 2017-18 school year, are relevant to the finding:

Section 1517(a) of the PSC requires:

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

Our review of the District’s fire drill reports for the 2017-18 school year disclosed that the District failed to conduct fire drills each month, as required by Section 1517(a) of the PSC.<sup>36</sup> We also found that the District did not maintain adequate documentation to support the fire drills reported to PDE at two of its three school buildings. Furthermore, we found discrepancies between the fire drill data reported to PDE and the supporting documentation. Consequently, the Superintendent inappropriately attested to the accuracy of the fire drill data reported.

The *mandatory* fire drill requirement of the PSC is intended by our General Assembly to be closely followed by all school entities across the commonwealth to keep students, staff, and visitors safe and secure.<sup>37</sup> To determine compliance with this mandatory requirement, we requested and reviewed the 2017-18 *Fire Drill Accuracy Certification Statement* (ACS) report required to be filed with PDE for the District’s three school buildings. We also reviewed supporting documentation to determine if fire drills were conducted each month from September 2017 through May 2018, while school was in session, and if the information reported to PDE was accurate.

We found that the District missed several drills, reported drills that did not actually occur, and failed to maintain documentation to support fire drills reported to PDE.

<sup>36</sup> 24 P.S. § 15-1517(a).

<sup>37</sup> This commitment to ensuring school safety is supported by the fact that a fire drill requirement has been part of the Pennsylvania Statutes since at least 1927 when it became part of Act 291 known as the “State Fire Marshal Law” (Law) then requiring a Superintendent, principal, or other person in charge of a public or private school to conduct a fire drill not less frequently than once a month when the schools are in session. See 35 P.S. § 1181 *et seq.* as amended. This fire drill requirement was transferred from this Law to the PSC when it was enacted in 1949 (Act 14).

*Criteria relevant to the finding (continued):*

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

“(b) Chief school administrators are hereby required to see that the provisions of this section are faithfully carried out in the school entities over which they have charge. [Note that the prior language only referred to “district superintendents.”]

(c) Any person who violates or fails to comply with the provisions of this section shall be guilty of a misdemeanor, and on conviction shall be sentenced to pay a fine of not less than twenty-five dollars (\$25) nor more than five hundred dollars (\$500), or to undergo imprisonment in the county jail for not less than ten (10) days or more than sixty (60) days, or both.\*\*\*

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

The following chart documents the results of our review by school building.

<b>Pottsville Area School District 2017-18 Fire Drills</b>				
<i>Number of Fire Drills...</i>	<i>Elementary School</i>	<i>Middle School</i>	<i>High School</i>	<i>Total</i>
Required per PSC	9	9	9	27
Reported as <b>Missing/Not Conducted</b>	2	3	2	7
<b>Reported</b> as Conducted to PDE	<u>7</u>	<u>6</u>	<u>7</u>	<u>20</u>
<b>Results of Review of Documentation Supporting Drills Reported as Conducted</b>				
<b>Verified</b> as Conducted	4	0	1	5
Reported but <b>NOT</b> Conducted	3	0	1	4
No Supporting Evidence	0	6	5	11

**Missed seven fire drills.** The District reported completing only 20 fire drills in its three school buildings instead of the 27 fire drills required for the nine school months reviewed.<sup>38</sup> The District acknowledged that it missed seven fire drills between its three buildings and cited conflicts with the school calendars as the reason for not conducting the monthly fire drills.

Of the 20 drills reported as conducted, we were able to verify only 5 of them as having been conducted. We noted other issues with the remaining 15 reported drills as detailed below:

**Four reported drills were not actually conducted.** Documentation showed that three reported drills at the elementary school and one at the high school were not actual fire drills, but rather just a review of fire drill protocols with students that did not include removing students and staff from the building as part of a drill as required by the PSC. District officials attributed this reporting error to a misunderstanding of Section 1517(a) of the PSC requiring the complete removal of students and staff during a fire drill.

<sup>38</sup> The District has three school buildings, and fire drills are required each month for each building. Therefore, we determined that a total of 27 fire drills should have been conducted (3 buildings x 9 months = 27 drills).

*Criteria relevant to the finding (continued):*

According to PDE guidance emailed to all public schools on October 7, 2016, and its Basic Education Circular entitled, *Fire Drills and School Bus Evacuations*, annual certification of the completion of fire drills must be provided to PDE. Beginning with the 2016-17 school year, annual reporting was required through the PIMS and fire drill certifications require each school entity to report the date on which each monthly fire drill was held. Fire Drill Accuracy Certification Statements must be electronically submitted to PDE by July 31 following the end of a school year. Within two weeks of the electronic PIMS submission, a printed, signed original must be sent to PDE's Office for Safe Schools.

The *Fire Drill Accuracy Certification Statement* that the chief school administrator was required to sign for the 2017-18 school year states, in part:

"I acknowledge that 24 PS 15-157 ...[requires that] fire drills shall be periodically conducted, not less than one a month...under rules and regulations to be promulgated by the district superintendent under whose supervision such schools are... District superintendents are hereby required to see that the provisions of this section are faithfully carried out in the schools over which they have charge. I certify that drills were conducted in accordance with 24 PS 15-157 and that information provided on the files and summarized on the above School Safety Report is correct and true to the best of my knowledge...."

**No supporting evidence for 11 fire drills reportedly conducted.** The District could not provide any fire drill documentation for all six drills reported at its middle school or for five of the seven drills reported as conducted at the high school.

Without supporting documentation, we could not verify the accuracy of the fire drill data reported to PDE for the stated time periods at those two school buildings.

Under Section 1517(b) of the PSC, chief school administrators are required to ensure that all requirements of Section 1517 are "faithfully carried out in the schools over which they have charge."<sup>39</sup> A chief school administrator, including a Superintendent, also has a duty to affirm that all of the information in the 2017-18 ACS report filed with PDE for the District's three school buildings was valid and accurate. Given the inaccuracies between the ACS report and the documentation provided, along with the unavailable documentation, the Superintendent inappropriately attested to the accuracy of the fire drill data.

In conclusion, it is vitally important that District students and staff regularly participate in mandatory fire drills and other emergency drills throughout the school year and that fire drill data is timely and accurately reported to PDE. The PSC specifically mandates that fire drills be conducted ***each and every month*** while school is in session. In fact, as further explained in the criteria to the left, recent amendments to the PSC reinforce the importance of conducting monthly fire drills and school security drills. Additionally, it is essential that the District maintain adequate documentation to support the fire drill data reported to PDE so that the Superintendent can properly attest to the accuracy of the information.

<sup>39</sup> Please note the penalties for a violation or noncompliance with this provision in the criteria box (24 P.S. § 15-1517(c)).

*Criteria relevant to the finding  
(continued):*

Important Note: The following summary is provided as a courtesy for informational purposes only to highlight recent amendments to the PSC, but does not apply to the review period (i.e. 2017-18 school year) for this finding.

In **2018**, the General Assembly amended Section 1517 of the PSC through Act 39 which **mandates** that each school entity conduct one school security drill per school year in each school building in place of a required fire drill within 90 days of the commencement of the school year after the subsection's effective date (July 1, 2018) and in each school year thereafter. The school security drill **must** be conducted while the school entity is in session and students are present. Further, Act 39 provides that each school entity may conduct two school security drills per school year in each school building in place of two fire drills after 90 days from the commencement of each school year. See 24 P.S. § 15-1517 (as most recently amended by Act 39 of 2018).

## Recommendations

The *Pottsville Area School District* should:

1. Conduct fire drills and school security drills with staff and students at each school building while school is in session, as required by the PSC.
2. Maintain detailed documentation of every fire and school security drill conducted at each school building in order to accurately report annual data to PDE.
3. Implement a process requiring someone other than the person who prepares the annual drill reports to review the reports, including comparing the data in the report to supporting documentation, to ensure the District is reporting factually correct data as certified by its Superintendent to PDE.
4. Consult with its solicitor to ensure it is fully aware of all amendments (discussed in criteria box) to the PSC regarding fire and school security drill requirements for the 2018-19 school year.

## Management Response

District management provided the following response:

“The District agrees with the audit findings and will implement the four recommendations from the audit. The District will utilize the PA Emergency Drill reporting from the Center for Safe Schools to report all drills conducted in the buildings. The District will also implement a report review process involving the District School Safety Coordinator and the Superintendent to ensure the District is reporting factually correct data to PDE.”

## Auditor Conclusion

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

## Status of Prior Audit Findings and Observations

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Our prior audit of the Pottsville Area School District (District) released on April 2, 2015, resulted in one finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on April 2, 2015

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**Prior Finding:**                    **The District Paid the Former Superintendent \$111,250 into a Tax Sheltered Annuity Possibly Without Board Approval or Contract Provisions**

Prior Finding Summary: During our prior audit of the District, we found that on September 8, 1993, the District made payroll arrangements to provide a Tax Sheltered Annuity (TSA) in the amount of \$6,000 per year to its former Superintendent, who resigned in April 2012. The District's Board of School Directors (Board) in place at the time these arrangements were made may have been aware of the arrangement. However, there was insufficient evidence that the Board entered into a vote to authorize the District to provide the former Superintendent with this additional compensation. Furthermore, there was no signed contract to document an agreement between the District and the former Superintendent concerning these payments. Our audit found there is no evidence that subsequent boards had any knowledge of the TSA payments, which totaled \$111,250.

Prior Recommendations: We recommended that the District should:

1. Ensure that the District implements internal controls to ensure that only payments that are contractually agreed upon and authorized by the Board are provided to its employees.
2. Ensure all of the District's employment agreements are transparent, including all perks, so that the District's Board and taxpayers can evaluate their appropriateness.
3. Ensure all compensation and bonuses are approved by the Board and documented in the minutes.
4. Develop policies and procedures to increase communication between exiting and entering board members.

5. Develop policies and procedures to increase communication from District personnel to entering board members.

Current Status:

We determined that the District addressed our recommendations from the prior audit. The District provides a tax sheltered annuity TSA benefit to its current Superintendent and Business Manager. These individual employment contracts contain a TSA benefit clause and were approved by the Board in October 2015 and September 2017, respectively. Our review of payroll records for these individuals disclosed that only benefits expressly included in the approved contracts were paid.

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## **Appendix: 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>40</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.

### **Scope**

Overall, our audit covered the period July 1, 2013 through June 30, 2017. In addition, the scope of each individual audit objective is detailed on the next page.

The Pottsville Area School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).<sup>41</sup> In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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<sup>40</sup> 72 P.S. §§ 402 and 403.

<sup>41</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2013 through June 30, 2017. 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 efficiency and effectiveness in the following areas:

- ✓ Financial Stability
- ✓ Transportation Operations
- ✓ Administrator Separations
- ✓ School Safety
- ✓ Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ 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 2013-14 through 2017-18 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 were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. The results of our review of this objective can be found in Finding No. 1 on page 11 of this report.
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code<sup>42</sup> and Public School Employees' Retirement System guidelines?

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<sup>42</sup> 24 P.S. § 10-1073(e)(2)(v).

- To address this objective, we reviewed contracts, settlement agreements, board meeting minutes, board policies, and payroll and leave records for the only administrator who separated employment from the District during the period from July 1, 2013 through February 4, 2019. The results of the review of this objective can be found in Finding No. 2 on page 26 of this report.
- ✓ 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>43</sup>
  - To address this objective, we attempted to review all nonpublic school students reported to PDE as transported by the District during the 2013-14 through 2016-17 school years.<sup>44</sup> The District was unable to provide supporting documentation for the 2013-14 school year. For the 2014-15 through 2016-17 school years, we obtained vehicle rosters and requests for transportation for individual nonpublic school students. We reconciled the nonpublic school students on the vehicle rosters to requests for transportation to nonpublic schools to determine if the students were eligible for supplemental transportation reimbursement. The results of our review of this objective can be found in Findings No. 3 and No. 4 of this report.
  - We attempted to review all charter school students reported to PDE as transported by the District during the 2013-14 through 2016-17 school years.<sup>45</sup> The District was unable to provide supporting documentation for the 2013-14 school year. For the 2014-15 through 2016-17 school years, we obtained vehicle rosters and requests for transportation for individual charter school students. We reconciled the charter school students on the rosters to requests for transportation to charter schools to determine if the students were eligible for supplemental transportation reimbursement. The results of our review of this objective can be found in Findings No. 3 and No. 4 of this report.
  - Additionally, we attempted to review all of the non-reimbursable students reported to PDE by the District during the 2013-14 through 2016-17 school years.<sup>46</sup> The District could not provide supporting documentation for the classification of non-reimbursable students reported during the 2013-14 through 2016-17 school years. Therefore, we were unable to determine the accuracy of

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<sup>43</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

<sup>44</sup> The District reported 131 nonpublic school students as transported during the 2013-14 school year, 195 nonpublic school students transported during the 2014-15 school year, 182 nonpublic school students transported during the 2015-16 school year, and 99 nonpublic school students transported during the 2016-17 school year.

<sup>45</sup> The District reported 62 charter school students as transported during the 2013-14 school year, 49 charter school students transported during the 2014-15 school year, 48 charter school students transported during the 2015-16 school year, and 28 charter school students transported during the 2016-17 school year.

<sup>46</sup> The District reported 303 non-reimbursable students as transported during the 2013-14 school year, 697 non-reimbursable students transported during the 2014-15 school year, 664 non-reimbursable students transported during the 2015-16 school year, and 226 non-reimbursable students transported during the 2016-17 school year.

the number of non-reimbursable students reported to PDE. The results of the review of this objective can be found in Finding No. 4 on page 33 of this report.

- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>47</sup>
  - To address this objective, we reviewed a variety of documentation including, but not limited to, safety plans, training schedules, anti-bullying policies, fire drill reports and after action reports. In addition, we conducted on-site reviews at all three of the District's school buildings to assess whether the District had implemented basic safety practices.<sup>48</sup> A portion of the results of our review of this objective can be found in Finding No. 5 on page 38 of this report. Due to the sensitive nature of school safety, the full results of our review for this objective area are not described in our audit report, but are shared with District officials, PDE, and other appropriate officials deemed necessary.
  
- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances<sup>49</sup> as outlined in applicable laws?<sup>50</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - To address this objective, we randomly selected 10 of the 32 bus drivers transporting District students as of May 9, 2019.<sup>51</sup> We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable conditions.

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<sup>47</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>48</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

<sup>49</sup> Auditors reviewed the required state, federal and child abuse background clearances 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>50</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8.*

<sup>51</sup> 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 entire population.

## **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:

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
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