

PERFORMANCE AUDIT

Reading School District Berks County, Pennsylvania

August 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Khalid Mumin, Superintendent
Reading School District
800 Washington Street
Reading, Pennsylvania 19601

Dr. Brian Buerke, Board President
Reading School District
800 Washington Street
Reading, Pennsylvania 19601

Dear Dr. Mumin and Dr. Buerke:

We have conducted a performance audit of the Reading School District (District) for the period July 1, 2012 through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in the appendix of this report:

- Transportation Operations
- Financial Position
- Administrator Contract Buyout
- Bus Driver Requirements

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 results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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

Our audit found that the District performed adequately in the areas in the bulleted list above, except as noted in the following finding:

- Errors in Reporting the Number of District Students Transported Who Were Not Eligible for Reimbursement Resulted in an Overpayment of \$127,261

Dr. Khalid N. Mumin
Dr. Brian Buerke
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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

July 23, 2018

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

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Background Information

School Characteristics 2016-17 School Year ^A	
County	Berks
Total Square Miles	9.8
Number of School Buildings	22 ¹
Total Teachers	1,098
Total Full or Part-Time Support Staff	739
Total Administrators	101
Total Enrollment for Most Recent School Year	20,158
Intermediate Unit Number	14
District Vo-Tech School	Reading-Muhlenberg CTC

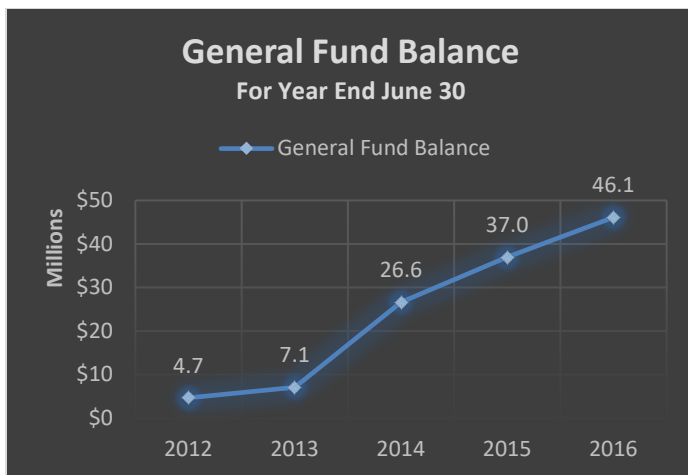
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

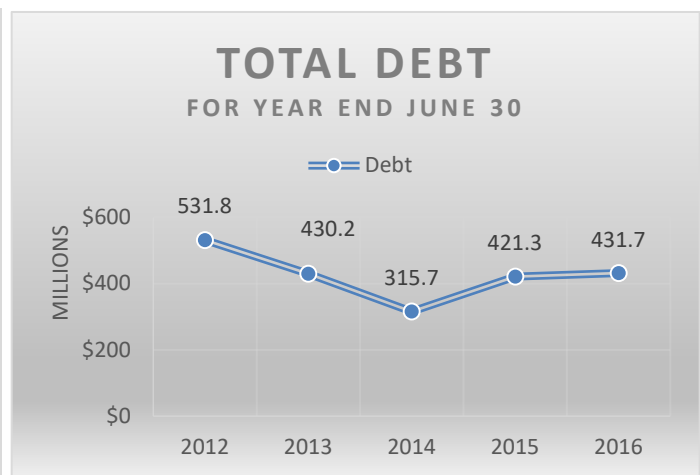
To transform student potential into reality. In the collective, educators, community members and parents remain committed to our core purpose of educating ALL students.

Financial Information

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



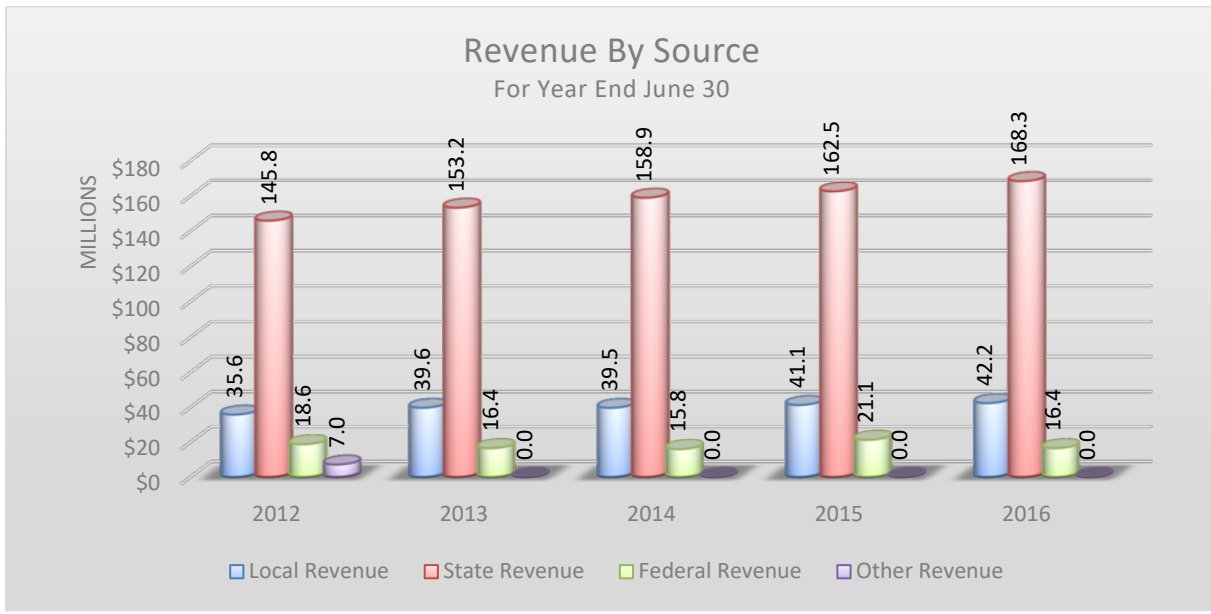
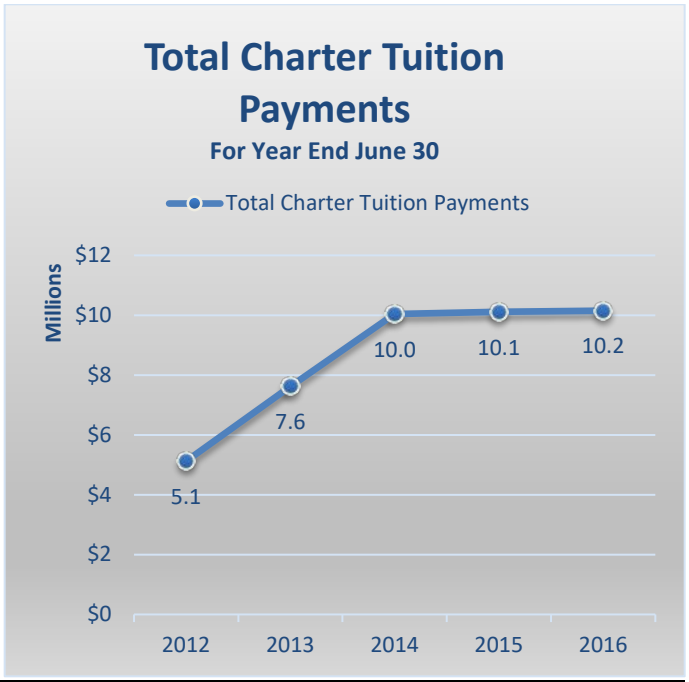
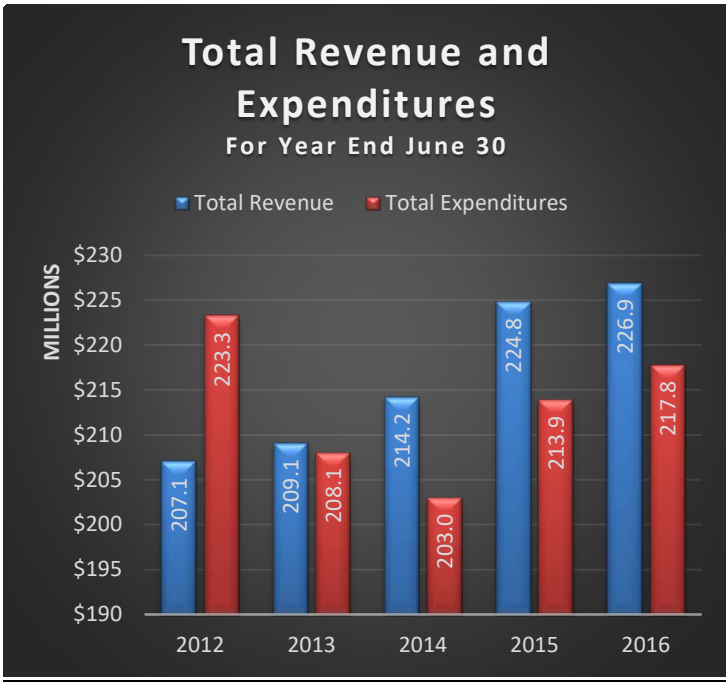
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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.

¹ Includes three magnet buildings where high school students are placed for supplemental instruction. These are included in high school academic data.

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 and 2015-16 school years.² 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 chart.³ 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.⁴

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.⁵ 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 at least 2020. 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.

² PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

³ 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.

⁴ 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.

⁵ 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 state Common 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.

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.⁶ 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.

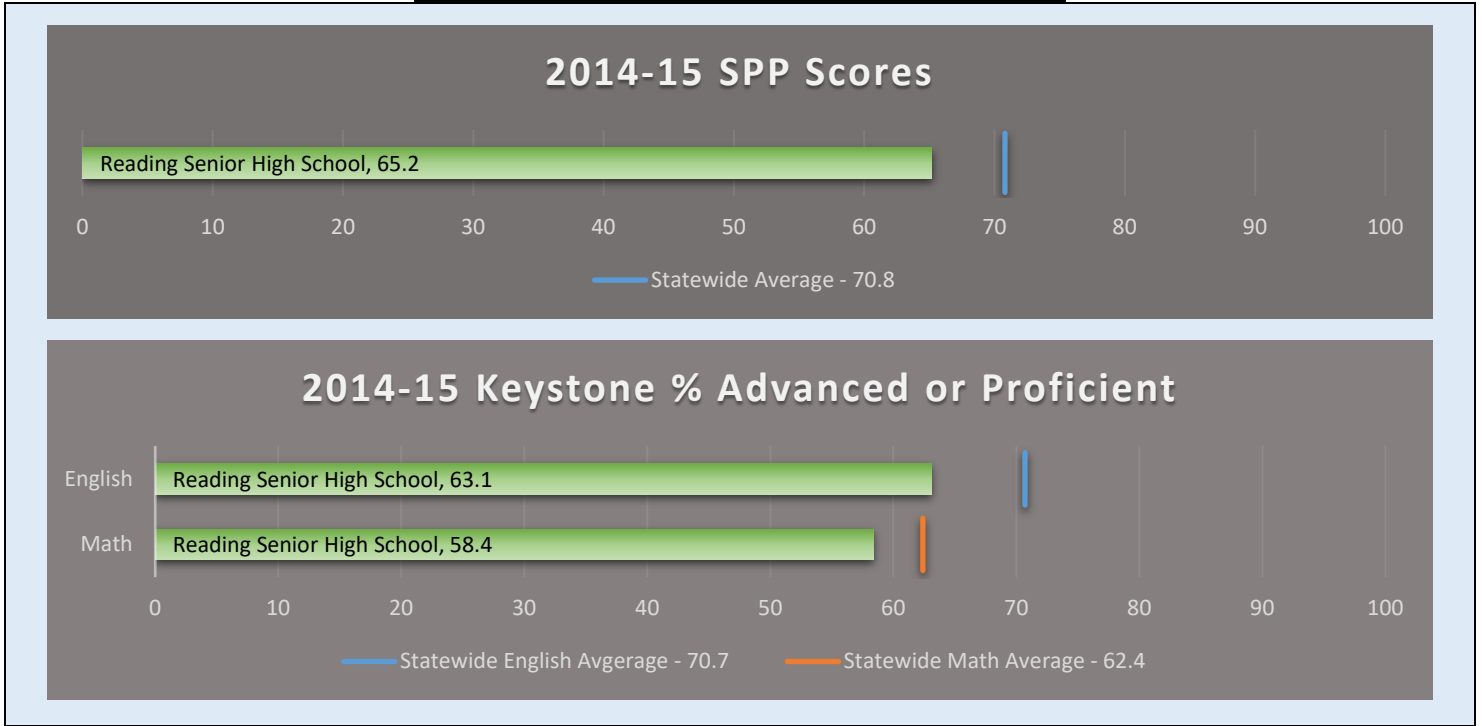
What is a 4-Year Cohort Graduation Rate?

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.⁷

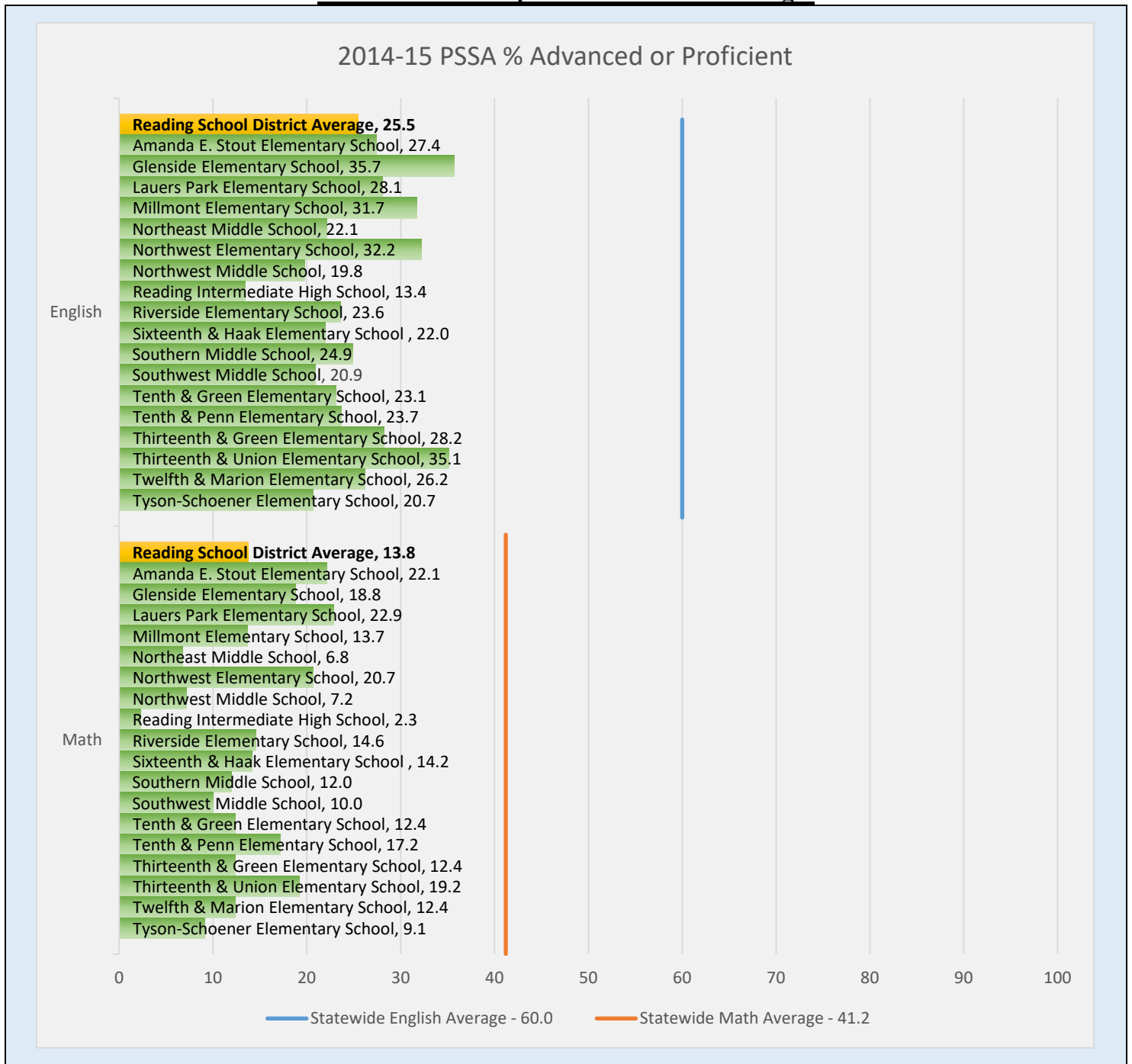
⁶ PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

⁷ 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>.

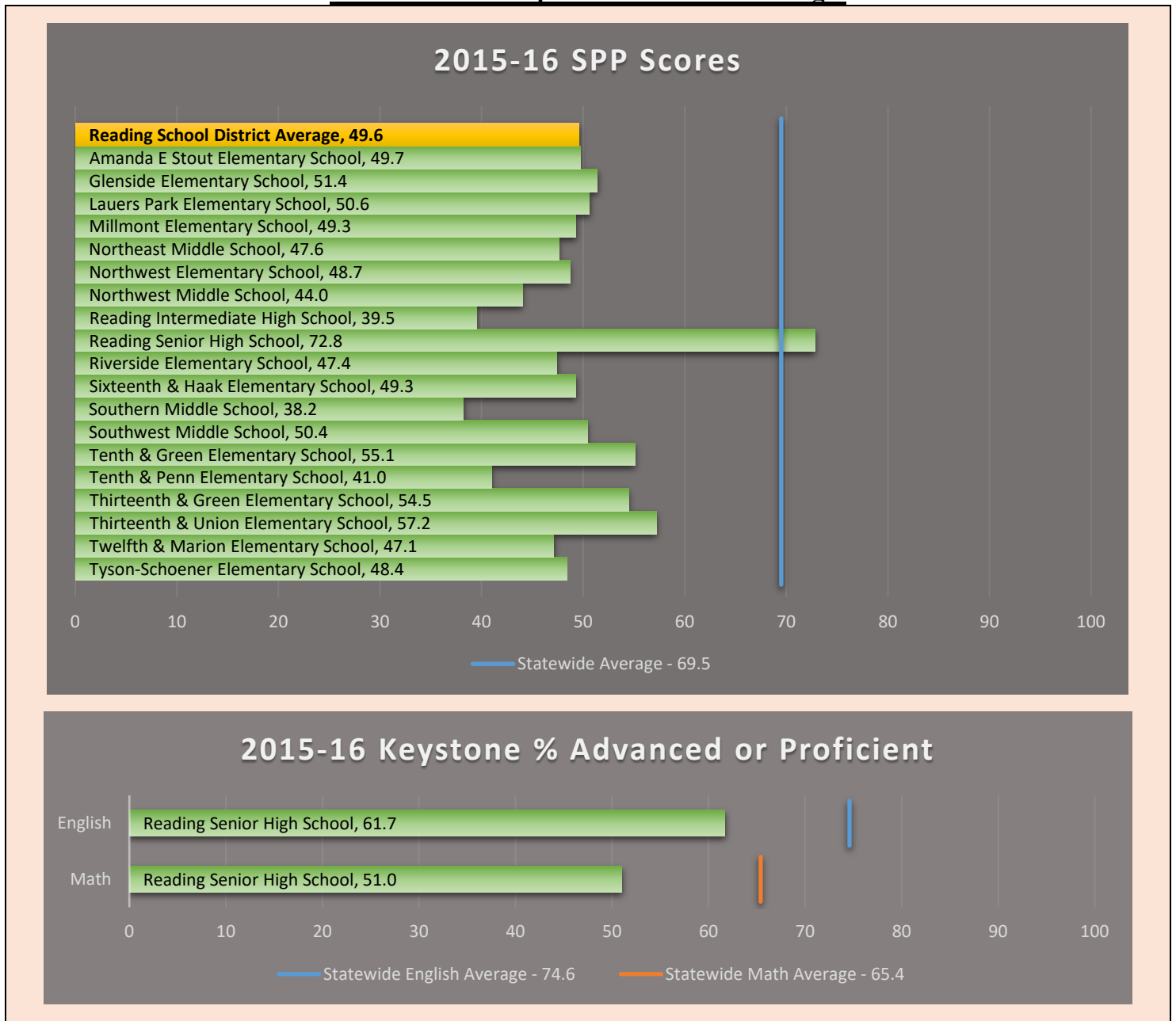
2014-15 Academic Data
School Scores Compared to Statewide Averages



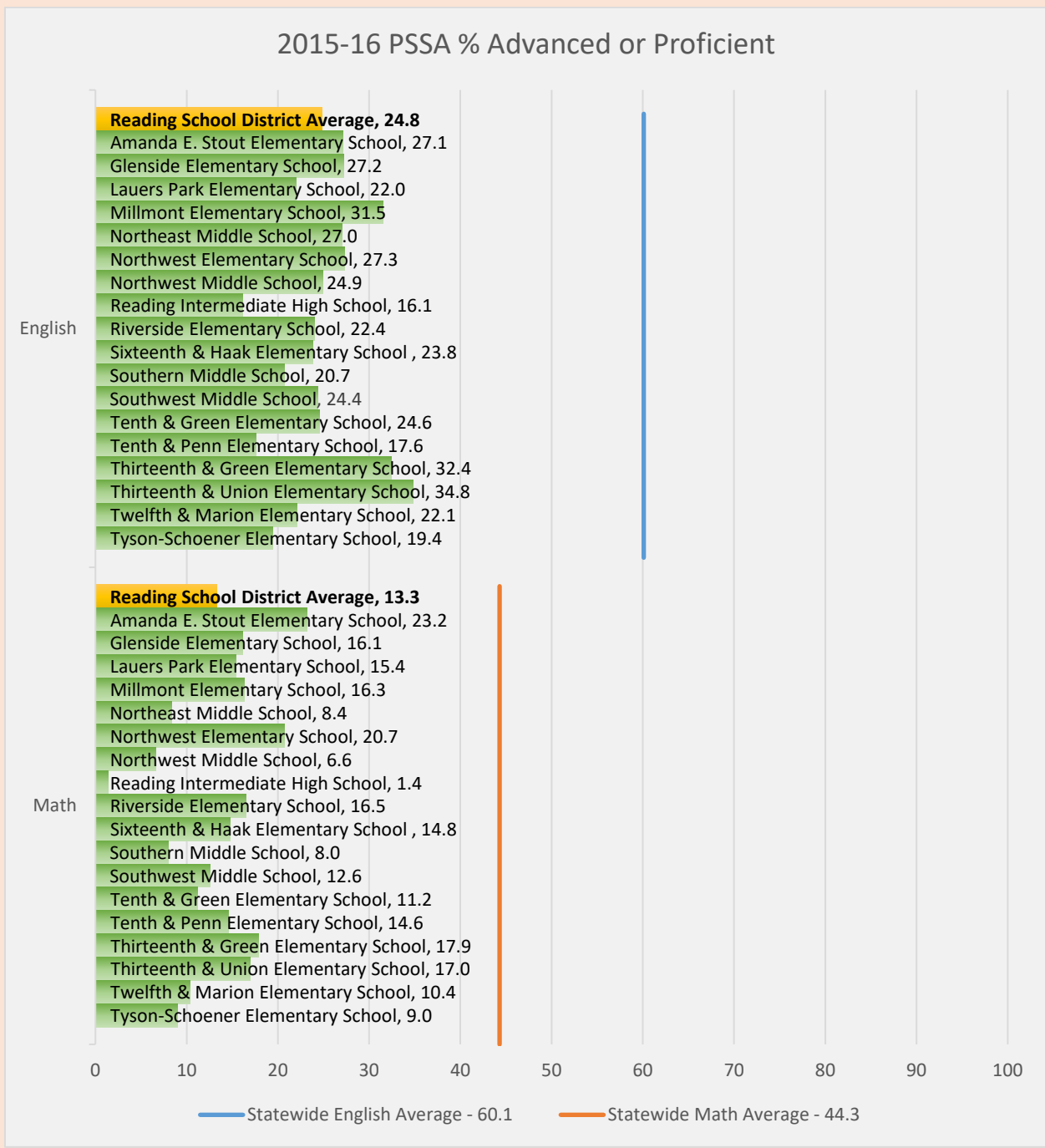
2014-15 Academic Data
School Scores Compared to Statewide Averages



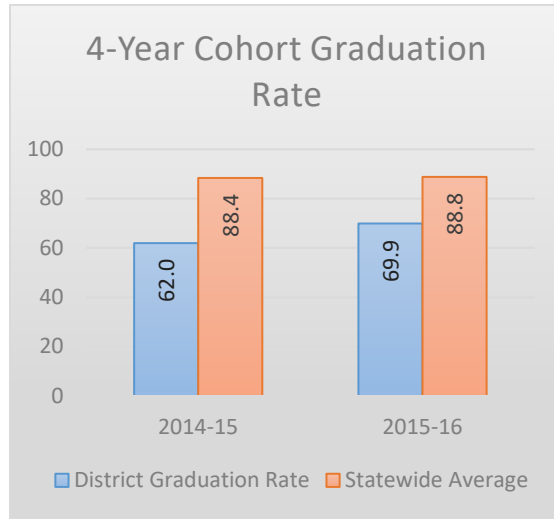
2015-16 Academic Data
School Scores Compared to Statewide Averages



2015-16 Academic Data
School Scores Compared to Statewide Averages



4-Year Cohort Graduation Rate



Finding

Finding

Errors in Reporting the Number of District Students Transported Who Were Not Eligible for Reimbursement Resulted in an Overpayment of \$127,261

Criteria relevant to the finding:

Student Transportation Subsidy

The Public School Code (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).

We found that the Reading School District (District) was overpaid \$127,261 in regular transportation reimbursements from the Pennsylvania Department of Education (PDE). This overpayment was due to the District improperly reporting the number of students transported who were not eligible for reimbursement during the 2012-13 through 2015-16 school years.

School districts receive two separate transportation reimbursement payments from PDE. One reimbursement is based upon the number of students transported and the number of miles vehicles were in service both with and without students (regular transportation reimbursement). The other reimbursement is based upon the number of charter school and nonpublic school students transported by the District (supplemental transportation reimbursement). The issue identified in this finding involves the District’s regular transportation reimbursement received.

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 a reduced regular transportation reimbursement from PDE. The District made two errors when identifying and reporting non-reimbursable students to PDE for the 2012-13 through 2015-16 school years.

Criteria relevant to the finding:

Non-reimbursable students

Non-reimbursable students are elementary students who reside within 1.5 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(b)(1).

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.

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 students transported to and from school.

The first error resulted in the District being overpaid a total of \$141,788 in regular transportation reimbursement. PDE reporting requirements require districts to report the total number of non-reimbursable students transported by district-owned and/or contractor owned vehicles. The District incorrectly reported students identified as non-reimbursable as students transported by district-owned vehicles. This error was made due to the District’s misunderstanding of how to report to PDE students identified as non-reimbursable. We easily identified these errors because the District did not use district-owned vehicles to transport students during the 2012-13 through 2015-16 school years.

The second error made by the District resulted in the District being underpaid a total of \$14,527 in regular transportation reimbursement. During the 2012-13 through 2015-16 school years, the District incorrectly reported a total of 207 elementary students as non-reimbursable, despite these students residing more than 1.5 miles from their school. This error occurred because the District did not re-evaluate the students identified as non-reimbursable when a school closed during the 2012-13 school year and students were transported to a different building.

The net effect of the two types of reporting errors made by the District during the audit period resulted in the net overpayment of \$127,261 to the District.

After we communicated the issues identified in this finding to the District, the District submitted a request to PennDot for it to determine if any of the District’s non-reimbursable students reside on hazardous walking routes. This determination from PennDot could have significant monetary impacts for the District because the District could correctly categorize students who live on a PennDot certified hazardous route as reimbursable students.

We provided PDE with discrepancy forms detailing the errors for the 2012-13, 2013-14, 2014-15, and 2015-16 school years to assist in verifying the overpayment and reducing the District’s future transportation subsidy by the amount of the overpayment.

Criteria relevant to the finding:

Form Completion Instructions for PDE-2089

Number of Non-reimbursable Pupils Transported on Contracted Vehicles: Enter the number of non-reimbursable pupils (both public and nonpublic pupils) transported on contracted service vehicles. If [a district] transports elementary pupils who reside within 1.5 miles of their school or secondary pupils who reside within 2 miles of their school who are not exceptional children or not required to use a certified hazardous walking route to reach their school, they are non-reimbursable pupils. Pupils who reside as indicated above, but are being transported to/from daycare providers located beyond those distances are still non-reimbursable. The location of their residence is the deciding factor.

Recommendations

The *Reading School District* should:

1. Annually review all students categorized as non-reimbursable to ensure that these students continue to meet the requirements to be reported as non-reimbursable.
2. Conduct annual multi-year trend analyses of student transportation data and transportation subsidies to help identify unexpected fluctuations and investigate the results of the analyses to provide additional assurance that data is accurately reported to PDE.
3. Institute a second level review of transportation data by someone other than the person compiling the data to help identify transportation data reporting errors.

The Pennsylvania Department of Education should:

4. Adjust the District’s future allocations to correct the reimbursement overpayment of \$127,261.

Management Response

Management stated the following.

In 2012, the school district closed the Thomas Ford Elementary School and began busing students to Millmont Elementary School. When the change was initiated, the PDE 2576 was marked as LEA instead of Contractor. The school district personnel at the time claimed to have contacted PDE for guidance. It appears some confusion in completing the form may have occurred because an LEA was serving as the Contractor. The school district agrees to place additional controls in place as is suggested in the finding.

Auditor Conclusion

We are pleased that the District intends to improve its controls regarding the reporting of transportation data. We encourage the District to implement our corrective actions. We will evaluate the effectiveness of corrective actions taken by the District during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Reading School District (District) released on May 2, 2013, resulted in four findings and one observation, 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 May 2, 2013

Prior Finding No. 1: The Reading School District's Ineffective Governance Has Prevented It from Meeting Its Primary Mission of Effectively Educating Its Students through the Judicious Use of Citizen Tax Dollars

Prior Finding Summary: Our prior audit of the District found that for some years, the District lacked the management and school board oversight necessary to achieve its educational and operational objectives. This was reflected academically in failures to make Adequate Yearly Progress (AYP) and to prepare a comprehensive corrective action plan. This was reflected operationally in repeat audit findings, lack of accounting policies and procedures, a major accounting error in 2011, lack of documentation available for audit, and poor budgeting.

Prior Recommendations: We recommended that the District should:

1. Immediately implement the recommendations in the District's last four independent financial audits.
2. Immediately prepare and adopt policies and procedures governing its accounting processes.
3. Immediately develop internal control procedures which necessitate monthly bank reconciliations, if that is not already taking place.
4. Establish procedures for ensuring that the District is complying with all Generally Accepted Accounting Principles.
5. Identify all of the District's key activities and then ensure that there are written policies and procedures to govern them. In addition, the District's management should develop a process for monitoring whether staff regularly follows these established protocols. The District's strategy for implementing a system of accountability should include:

- i. Establishing an organizational reporting structure that clearly defines areas of responsibility and authority, and appropriate lines of reporting.
 - ii. Identifying risks, analyzing their potential consequences, and determining actions to mitigate them.
 - iii. Developing policies and procedures, techniques, and mechanisms that ensure goals are met and the risk of error is reduced.
 - iv. Keeping proper documentation to show the execution of important activities.
6. Complete its comprehensive AYP corrective action plan and develop procedures for ensuring that this plan is properly implemented and for ensuring future plans are completed on time. The District should also ensure that the completed plan does not need additional revisions given its untimeliness.

The District's Board of School Directors (Board) should:

- 7. Hold management accountable for properly implementing the Board's policies and regularly and consistently monitor management's performance.
- 8. Continue to ensure that it receives monthly up-to-date cash and bank reconciliation statements.
- 9. Have someone, such as the school board treasurer, sign-off on all monthly bank statements.

Current Status:

In January 2014, we completed a follow-up review at the District to determine if any of our recommendations had been implemented. At that time, we found that recommendations 7, 8, and 9 had been implemented by District administration but recommendations 1 through 6 had not been implemented. During the current audit, we found that the District also implemented recommendations 1 through 6. Prior independent financial audit recommendations were implemented by the fiscal year ended June 30, 2014. The independent audit report for the fiscal year ended June 30, 2016, contained no findings. During our current audit, we found that bank reconciliations are prepared for all accounts, the District follows GAAP principles, and documentation is retained for all important activities. The District has developed a comprehensive corrective action plan to address academic concerns. These actions were taken in January 2014, when the current administrative team was installed at the District.

Prior Finding No. 2: District Has Failed to Effectively Track Expenditures and Revenues, Leading to a Lack of Financial Accountability for Its Tax Dollars

Prior Finding Summary: Our prior audit found that the District inadequately tracked expenditures and revenues. Consequently, the District's management and its Board could not make sound policy decisions about how to allocate the District's resources. Furthermore, the District did not properly account for its spending of its tax dollars. These weaknesses were evidenced by a failure to perform account reconciliations (e.g., accounts receivable), inability to obtain essential accounting reports, failure to properly record certain state reimbursements, failure to consistently follow modified accrual basis accounting, failure to use funding source codes to allow for tracking specific revenue streams, ineffective use of the computerized accounting system, and lack of a consistent management team.

Prior Recommendations: We recommended that the District should:

1. Implement written policies and procedures on: (1) the posting and reconciliation of cash receipts and revenue accounts, (2) cash disbursements and expenses, and (3) capturing and recording activity between funds and payroll related benefits and expenditures.
2. Evaluate its current accounting system and determine how to ensure that it has all of the necessary information to track the District's revenues and expenditures. In addition, the District should develop a mechanism for verifying that all of its bills are being paid timely, and if necessary, obtain training for its accounting staff on how to properly use its accounting system.

Current Status: During the current audit, we found that the District implemented our recommendations. Beginning in January 2014, the District implemented procedures to require reconciliations of all bank accounts and internal accounts on a regular basis. Bills are paid timely, and a bill list is provided to the Board each month. District staff was trained on how to obtain reports from the computerized financial accounting system. Periodic training currently occurs so that staff are aware of the system's capabilities. Additionally, in 2015, a payroll accountant position was created and staffed to provide close supervision to the payroll department and to ensure that payroll related transactions are recorded accurately.

Prior Finding No. 3: Certification Deficiencies

Prior Finding Summary: Our prior audit of the District’s professional employees’ certification for the period February 28, 2011 through January 25, 2013, found three professional employees teaching with lapsed certificates.

Prior Recommendations: We recommended that the District should:

1. Take the necessary action required to ensure compliance with certification regulations.
2. Implement procedures to track years of service for all individuals who are not permanently certified.

We also recommended that PDE should:

3. Apply the appropriate aid ratio information, and then adjust the District’s allocations to resolve any subsidy forfeiture that should be levied.

Current Status: In January 2014, we completed a follow-up review at the District to determine if any of our recommendations had been implemented. At that time, we found that our recommendations to the District and to PDE had been implemented.

Prior Finding No. 4: Memorandum of Understanding with Local Law Enforcement Not Updated Timely

Prior Finding Summary: Our prior audit found that the District had updated its Memorandum of Understanding (MOU) with local law enforcement on March 20, 2009. However, the subsequent MOU was not updated until July 6, 2011. The law requires MOUs to be updated biennially, so the subsequent MOU should have been updated by March 20, 2011.

Prior Recommendations: We recommended that the District should:

1. In consultation with the District’s solicitor, review the new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring the District’s administration to biennially update and re-execute all MOUs with local law enforcement having jurisdiction over school property and file a copy with PDE’s Office of Safe Schools on a biennial basis, as required by law.

Current Status: Our audit found that the District has been updating its MOUs with local law enforcement in a timely manner. The current MOU is dated June 28, 2017. However, the District has yet to adopt an official board policy requiring administration to biennially update and re-execute all MOUs with local law enforcement. We again recommend that the District adopt such a policy.

Prior Observation: Logical Access Control Weaknesses

Prior Observation Summary:

Our prior audit found that the District continued to have the following weaknesses in logical access control over its computer systems related to student accounting. Passwords were set by the Director of Information Technology, not by individual users. There was no requirement to change passwords periodically. Since passwords did not have to be changed, the District did not maintain a password history to prevent repetitive use of the same password. The system didn't lock out employees after three unsuccessful attempts to login.

Prior Recommendations: We recommended that the District should:

1. Implement a security policy and system parameter settings requiring that:
 - i. Users establish their own passwords.
 - ii. Forgotten passwords are reset and new ones created by the user.
 - iii. All users change passwords on a regular basis (e.g., every 30 days).
 - iv. Users are locked out after three unsuccessful login attempts.
2. Maintain a password history that will prevent the use of a repetitive password (e.g., last ten passwords).

Current Status: Our audit found that the District implemented our audit recommendations. Users create their own passwords that must meet syntax requirements. Forgotten passwords are reset with users immediately prompted to create a new password. Passwords must be changed periodically. Users are locked out after six unsuccessful attempts to login. The District maintains a password history that does not allow a user to use the previous two passwords. These procedures were fully implemented for the start of the 2014-15 school year.

Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,⁸ 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, 2012 through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Reading 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).⁹ In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider 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.

⁸ 72 P.S. §§ 402 and 403.

⁹ 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, 2012 through June 30, 2016. 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:

- Transportation Operations
- Financial Position
- Administrator Contract Buyout
- Bus Driver Requirements
- School Safety

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

- ✓ 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?
 - To address this objective, we reviewed 100 percent of the non-reimbursable students reported to PDE.¹⁰ We reviewed rosters of non-reimbursable students transported by the District and calculated the distance between home and school to determine eligibility for transportation reimbursement. The errors we identified can be found in the finding in this report.
 - We also reviewed 100 percent of the nonpublic students reported to PDE as transported during the 2014-15 and 2015-16 school years.¹¹ We compared rosters of nonpublic students transported to child accounting information to determine if the students were eligible for the supplemental transportation reimbursement. No reportable issues were identified.

¹⁰ The District reported to PDE 500 non-reimbursable students transported during the 2012-13 school year, 491 during the 2013-14 school year, 525 during the 2014-15 school year, and 500 during the 2015-16 school year.

¹¹ The District reported to PDE 838 nonpublic school students transported during the 2014-15 school year and 767 nonpublic school students during the 2015-16 school year.

- Additionally, we reviewed 100 percent of the charter school students reported to PDE as transported during the 2013-14 and 2014-15 school years¹² or 114 and 38 students, respectively. We compared rosters of charter school students transported to child accounting information to determine if the students were eligible for the supplemental transportation reimbursement. No reportable issues were identified.
- Furthermore, we randomly selected 10 out of 38 vehicles used to transport students during the 2015-16 school year.¹³ We reviewed calculations for mileage, student counts, and days in service for each vehicle selected. No reportable issues were identified.
- ✓ 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, budgets, and independent auditor's reports for fiscal years 2011-12 through 2015-16. 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 Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buyout, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code¹⁴ and Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the contracts, board meeting minutes, board policies, and payroll records for all four administrators who separated employment from the District during the period July 1, 2012 through December 31, 2017. Our review of this objective did not disclose any reportable issues.

¹² The District reported to PDE 38 charter school students transported during the 2014-15 school year and 114 charter school students during the 2015-16 school year.

¹³ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁴ 24 P.S. § 10-1073(e)(v).

- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined in applicable laws?¹⁵ 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 63 bus drivers employed by the District bus contractor, as of February 1, 2018.¹⁶ 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 issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?¹⁷
 - To address this objective, we reviewed a variety of documentation including, but not limited to, safety plans, training schedules, anti-bullying policies, fire drill documentation, and after action reports. In addition, we conducted on-site reviews at 3 out of the District's 19 school buildings (one from each educational level)¹⁸ to assess whether the District had implemented basic safety practices.¹⁹ Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials, PDE, and other appropriate agencies as deemed necessary.

¹⁵ 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*.

¹⁶ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

¹⁷ 24 P.S. § 13-1301-A *et seq.*

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

¹⁹ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

Distribution List

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

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