

# PERFORMANCE AUDIT

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## Riverside School District Lackawanna County, Pennsylvania

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October 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Paul M. Brennan, Superintendent  
Riverside School District  
300 Davis Street  
Taylor, Pennsylvania 18517

Ms. Carol Armstrong, Board President  
Riverside School District  
300 Davis Street  
Taylor, Pennsylvania 18517

Dear Mr. Brennan and Ms. Armstrong:

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

- Financial Stability
- Transportation Operations
- Bus Driver Requirements
- Administrator Separations
- Social Security and Retirement Reimbursements
- Construction Project Reimbursements

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 identified significant internal control deficiencies in the transportation operations area and those deficiencies are detailed in the second finding in this report. We also found concerns with the District's financial stability. A summary of the results is presented in the Executive Summary section of the audit report.

Mr. Paul M. Brennan  
Ms. Carol Armstrong  
Page 2

In addition, we identified internal control deficiencies in the bus driver requirements that were not significant but warranted the attention of District management. Those deficiencies were verbally communicated to management officials for their consideration. We also found that the District performed adequately in the other three bulleted areas listed above (administrator separations, social security and retirement reimbursements, and construction project reimbursements) and no significant internal control deficiencies were identified.

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

Sincerely,



Eugene A. DePasquale  
Auditor General

October 28, 2020

cc: **RIVERSIDE 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 Riverside 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 covered the period July 1, 2015 through June 30, 2019, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2015-16 through 2018-19 school years.

### Audit Conclusion and Results

Our audit found that the District applied best practices and complied, in all significant respects, with certain relevant state laws, regulations, contracts, and administrative procedures, except for two findings.

#### **Finding No. 1: Debt Service Obligations Reduced the District's General Fund Balance to \$293,762 as of June 30, 2019.**

Our review of the District's financial position over a four-year period revealed that the District's General Fund balance did not meet best practices recommended by the Government Finance Officers Association and decreased to a concerning level. On July 1, 2015, the District's General Fund balance was \$554,264. Due to annual debt service obligations and the need to transfer funds to meet these obligations, the District's General Fund balance decreased to \$293,762 as of June 30, 2019 (see page 7).

#### **Finding No. 2: The District Failed to Retain the Required Supporting Documentation to Verify More Than \$1.8 Million Received in Transportation Reimbursements and Inaccurately Reported Transportation Data Resulting in an Overpayment of \$51,975.**

The District did not comply with the record retention provisions of the Public School Code when it failed to retain adequate source documentation to verify the accuracy of the more than \$1.8 million it received in transportation reimbursements from the Pennsylvania Department of Education. The District lacked supporting documentation for the regular transportation reimbursement it received during the 2015-16 through 2018-19 school years and the supplemental reimbursements it received for the 2015-16 and 2017-18 school years.

Additionally, the District over-reported the number of nonpublic school and charter school students transported during the 2016-17 school year and number of nonpublic school students transported during the 2018-19 school year resulting in supplemental transportation reimbursement overpayments of \$51,975 (see page 17).

#### **Status of Prior Audit Observation.**

Our prior audit of the District was released on September 17, 2015, and contained one observation with two recommendations. We concluded in our observation that the District should monitor key financial indicators to try to prevent further fiscal challenges. During our current audit, we found that the District had taken some corrective actions, including providing the Board of School Directors with standard monthly updates on key financial benchmarks (see page 24). However, the District's overall financial position continues to be weak and we detail our current assessment of key financial indicators in Finding No. 1 of this report.

## Background Information

School Characteristics 2019-20 School Year*	
County	Lackawanna
Total Square Miles	12
Number of School Buildings	3
Total Teachers	123
Total Full or Part-Time Support Staff	66
Total Administrators	10
Total Enrollment for Most Recent School Year	1,547
Intermediate Unit Number	19
District Career and Technical School	Wilkes-Barre Area Career & Technical Center

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

## Mission Statement\*

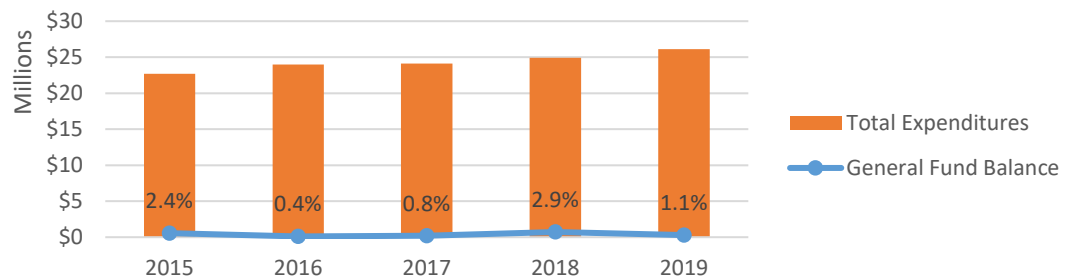
To think differently and collectively, in order to create a vehicle that will inspire a passion for learning, character, innovation, and social responsibility.

## Financial Information

The following pages contain financial information about the Riverside School District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

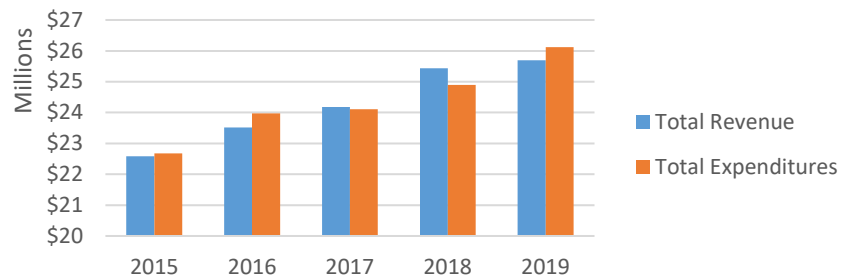
### General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2015	\$554,263
2016	\$105,542
2017	\$184,063
2018	\$718,188
2019	\$293,761



### Revenues and Expenditures

	Total Revenue	Total Expenditures
2015	\$22,582,860	\$22,674,407
2016	\$23,519,326	\$23,968,048
2017	\$24,184,592	\$24,106,071
2018	\$25,431,391	\$24,897,265
2019	\$25,689,956	\$26,114,383

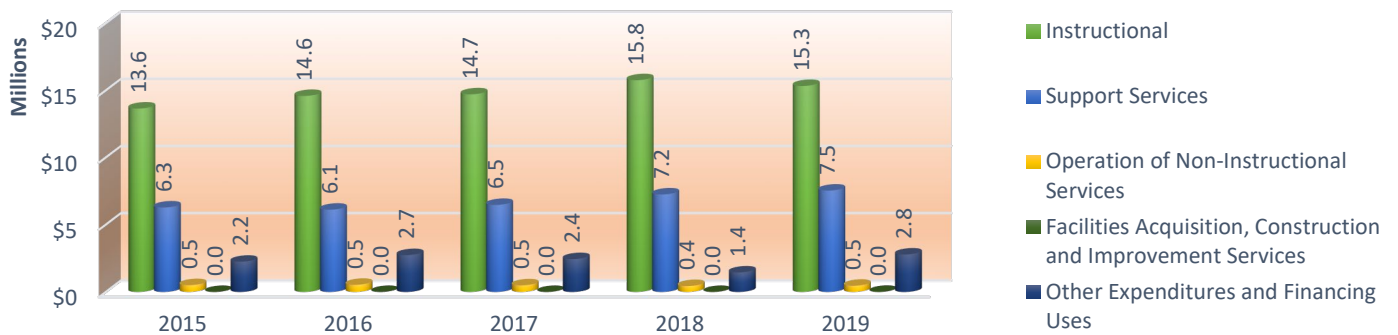


## Financial Information Continued

### Revenues by Source

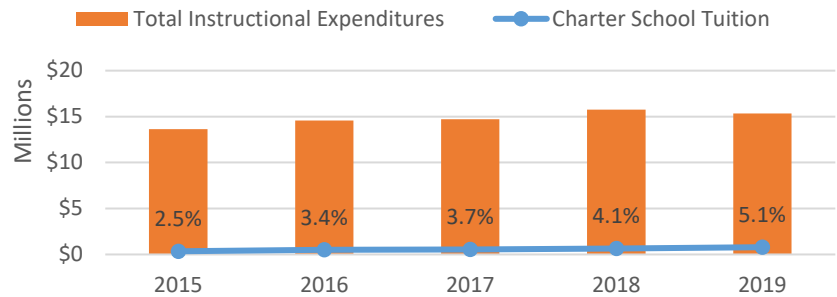


### Expenditures by Function

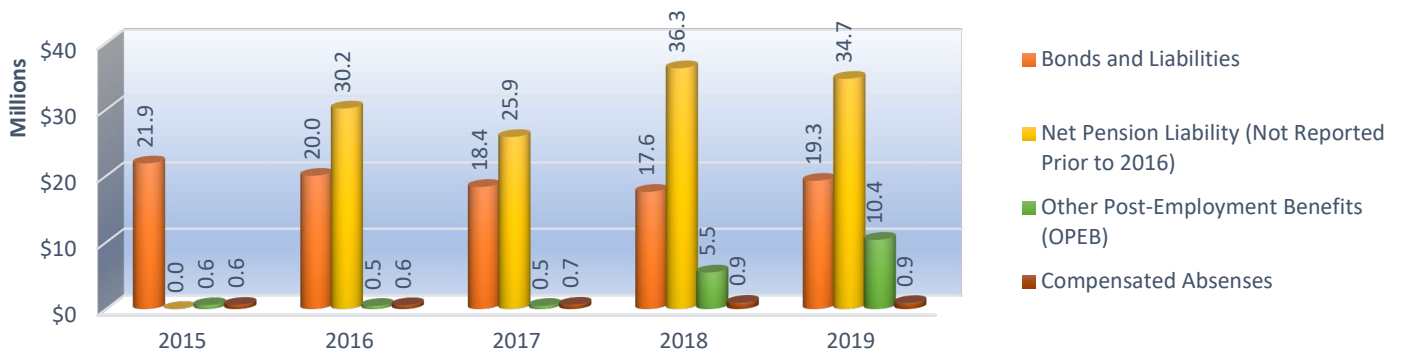


### Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2015	\$346,481	\$13,645,741
2016	\$492,786	\$14,587,506
2017	\$538,146	\$14,705,637
2018	\$639,283	\$15,760,260
2019	\$789,309	\$15,329,300



### Long-Term Debt

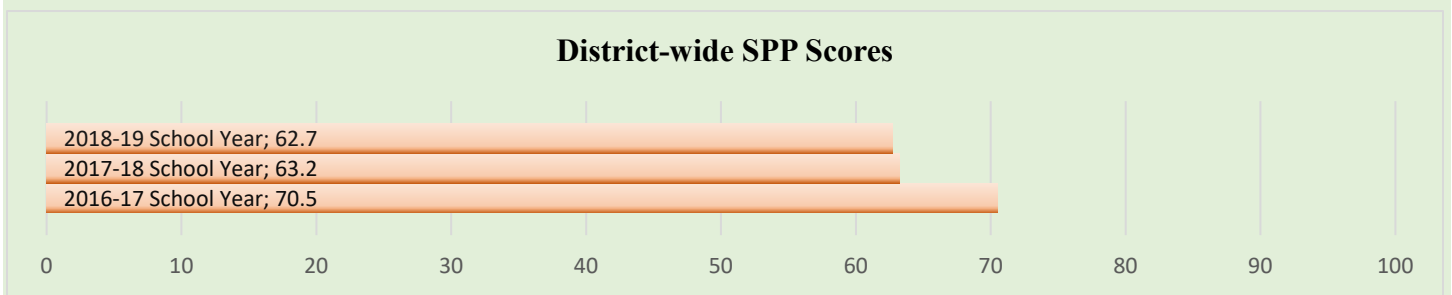


## Academic Information

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

### What is a SPP score?

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



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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 publicly available website.

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



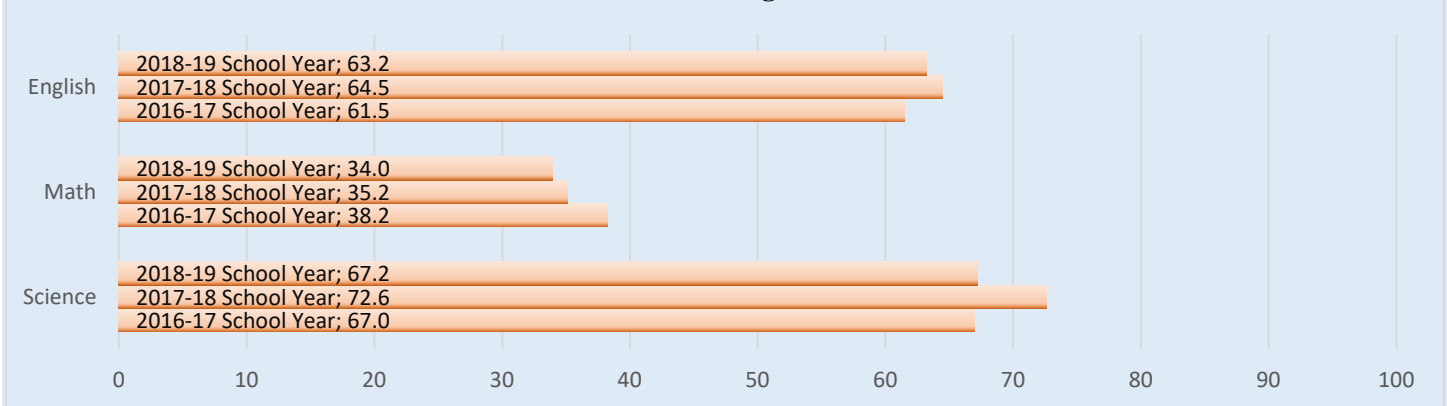
## Academic Information Continued

### What is the PSSA?

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

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

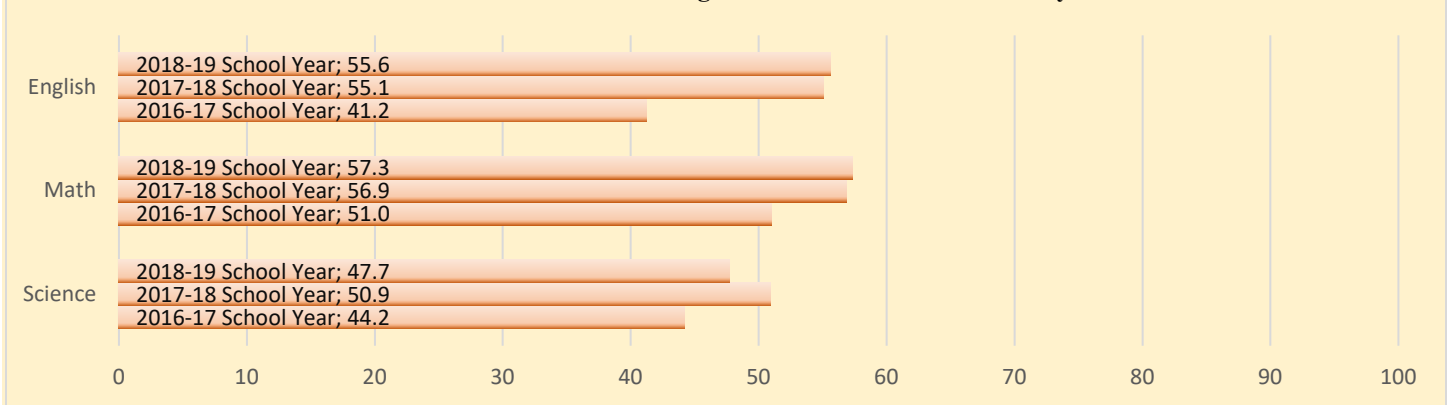
**District-wide Percent of Students Scoring Proficient or Advanced on PSSA**



### What is the Keystone Exam?

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

**District-wide Percent of Students Scoring Proficient or Advanced on Keystone Exams**

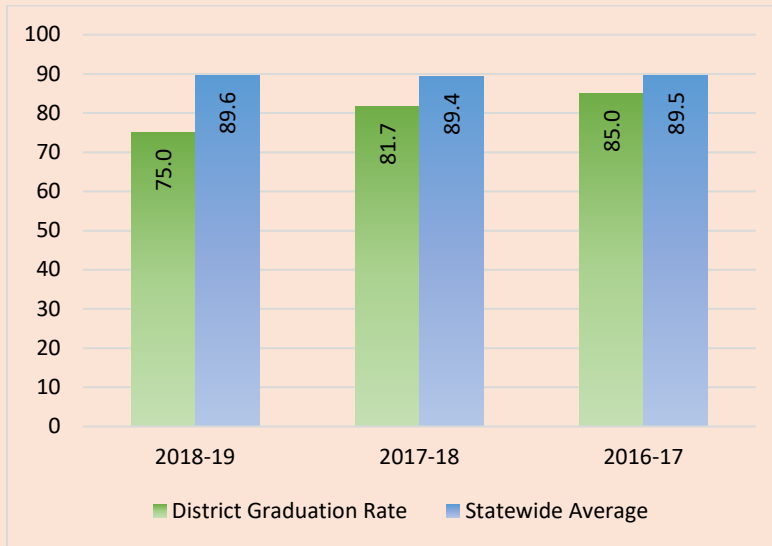


<sup>3</sup> Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies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

## Academic Information Continued

### What is a 4-Year Cohort Graduation Rate?

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



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

## Findings

### Finding No. 1

### Debt Service Obligations Reduced the District's General Fund Balance to \$293,762 as of June 30, 2019

*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 policy 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 Riverside School District's (District) financial position over a four-year period revealed that the District's General Fund balance did not meet best practices recommended by the Government Finance Officers Association (GFOA) and decreased to a concerning level. On July 1, 2015, the District's General Fund balance was \$554,264. Due to annual debt service obligations and the need to transfer funds to meet these obligations, the District's General Fund balance decreased to \$293,762 as of June 30, 2019.

We reviewed several financial benchmarks, including the General Fund balance, operating position, debt service obligations, and the District's current ratio, to evaluate changes in the District's financial position over a period of four years from July 1, 2015 through June 30, 2019.

#### Declining General Fund Balance

The District's General Fund balance consisted of two distinct classifications:

- 1) nonspendable<sup>5</sup>
- 2) unassigned

The District's non-spendable fund balance consisted of the District's prepaid expenditures, which was not available for the District to use to meet current obligations.

<sup>5</sup> *Nonspendable Fund Balances* are amounts that cannot be spent because they are either in a non-spendable form, or legally or contractually required to be maintained in tact such as inventory. *Source: PDE Chart of Accounts for PA Local Educational Agencies.*

*Criteria relevant to the finding (continued):*

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).

Table 1 below details the annual General Fund balance for both classifications.

**Table 1**

<b>Riverside School District General Fund Balance Composition</b>			
<b>Fiscal Year Ended June 30</b>	<b>Non-spendable</b>	<b>Unassigned</b>	<b>Total</b>
<b>2015</b>	\$116,837	\$437,427	<b>\$554,264</b>
<b>2016</b>	\$ 59,584	\$ 45,958	<b>\$105,542</b>
<b>2017</b>	\$ 70,847	\$113,216	<b>\$184,063</b>
<b>2018</b>	\$ 6,219	\$711,969	<b>\$718,188</b>
<b>2019</b>	\$ 29,049	\$264,713	<b>\$293,762</b>

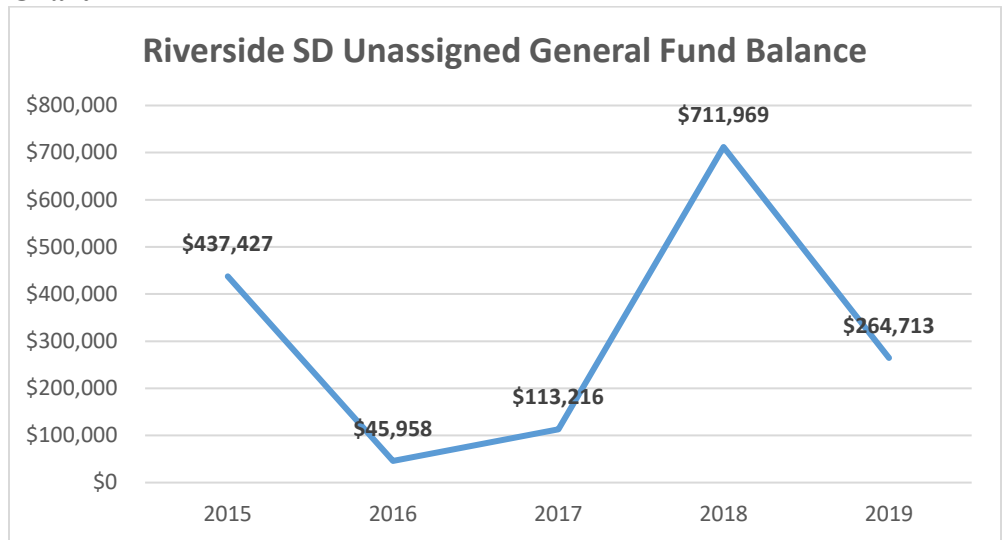
The adequacy of an unassigned General Fund balance should vary from one school district to the next and should take into consideration each District’s own unique circumstances. Nevertheless, the GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain a General Fund balance of no less than two months of regular general fund operating revenues or general fund operating expenditures plus transfers out.

The District’s General Fund balance did not meet best practices for any of the four years of the audit period. The District’s unassigned General Fund balance as of June 30, 2019 was only \$264,713, which is significantly less than the fund balance recommended by the GFOA. More specifically, the District’s operating expenditures and transfers out as of June 30, 2019 were \$26,189,694, which equates to \$2.18 million in monthly expenditures. Therefore, GFOA guidelines would recommend the District maintain an unassigned fund balance of \$4.36 million. The District’s fund balance was not close to the recommended two months and would only sustain the District for four days of expenditures.

As of June 30, 2018, the District’s unassigned fund balance was \$711,969; however, this fund balance was artificially inflated due to the District refinancing its General Obligation Bonds. This refinancing generated proceeds of \$1,245,000, which was used to partially offset the annual debt service payment of \$2,514,592. These proceeds caused the increase of \$534,125 in the District’s General Fund balance for the 2017-18 fiscal year. Without the proceeds generated from this refinancing the District’s fund balance would have been negative. Chart 1 provides a visual picture of the General Fund balance over the audit period.<sup>6</sup>

<sup>6</sup> The unassigned fund balance is as of June 30/July 1 of each fiscal year.

**Chart 1**



In addition, if the District’s fund balance remains low, the District is in danger of being placed on *financial watch status* by the Pennsylvania Department of Education (PDE).<sup>7</sup> Financial watch status is a precursor to being placed in *financial recovery status* for districts that do not improve financially.<sup>8</sup> A district placed in *financial recovery status* loses local control of district operations. In these instances, the District’s Board of School Directors would no longer have the authority to provide oversight of District operations. Further, 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>9</sup>

Furthermore, the District does not have a fund balance policy with guidelines stating that the District will strive to maintain a General Fund balance of a certain amount or percentage of revenues and/or expenditures.

### **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>7</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>8</sup> 24 P.S. § 6-601-A *et seq.*; see also <https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Financial%20Recovery%20for%20School%20Districts/Early%20Warning%20System.pdf>, accessed July 18, 2019.

<sup>9</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]).

**Table 2<sup>10</sup>**

<b>Riverside School District General Fund Operating Position</b>					
<b>Fiscal Year Ending June 30</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Operating Surplus</b>	<b>Total Other Financing (Uses)</b>	<b>Net Change in Fund Balance</b>
<b>2016</b>	\$23,519,326	\$21,502,306	\$2,017,020	(\$2,465,742)	(\$448,722)
<b>2017</b>	\$24,184,592	\$21,887,338	\$2,297,254	(\$2,218,733)	\$ 78,521
<b>2018</b>	\$25,431,390	\$23,631,576	\$1,799,814	(\$1,265,689)	\$534,125
<b>2019</b>	\$25,765,268	\$23,593,008	\$2,172,260	(\$2,596,686)	(\$424,426)
<b>Total:</b>	<b>\$98,900,576</b>	<b>\$90,614,228</b>	<b>\$8,286,348</b>	<b>(\$8,546,850)</b>	<b>(\$260,502)</b>

As shown in the table above, the District experienced an operating surplus in each year of the audit period. However, other financing uses, primarily used to make debt service payments, eliminated the District’s operating surplus in two years and caused the District’s General Fund balance to decline. As discussed previously in this finding, the total other financing uses was unusually low in the 2017-18 fiscal year due to the District’s refinancing and the proceeds that the refinancing generated.

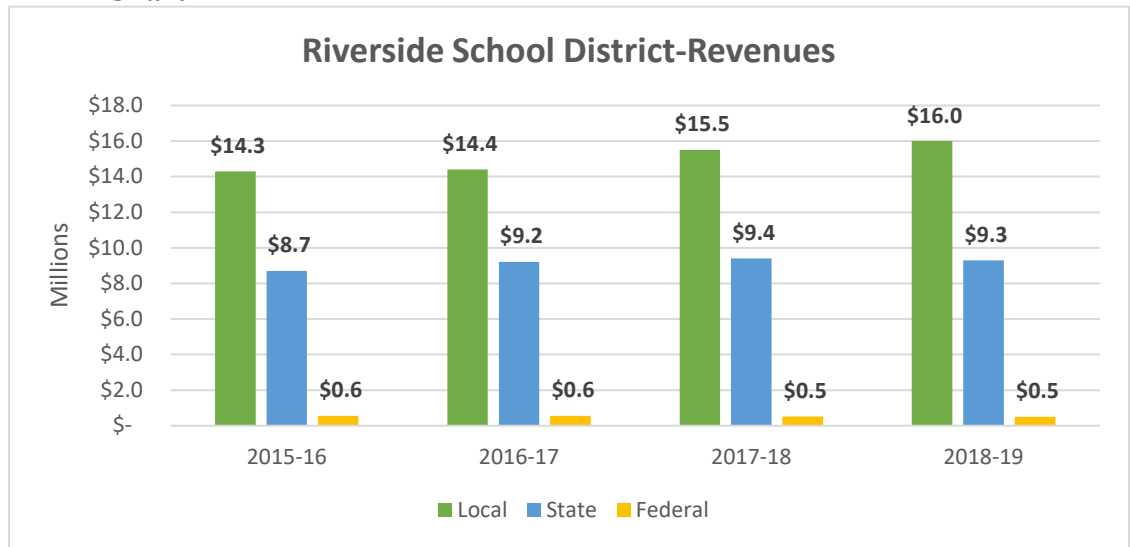
**Revenues**

The District has two main revenue sources: local revenues and Commonwealth subsidies. Local revenues are primarily generated from property taxes and comprised 62 percent of the District’s total revenue in the 2018-19 fiscal year. The District raised taxes each year of our audit period and local revenue increased over the audit period. District officials acknowledged that raising taxes each year did not increase the District’s General Fund balance and they are unsure if future tax increases will generate additional revenue due to a stagnant tax base and the concern that increasing tax rates will lead to a lower tax collection percentage.

Revenue from the Commonwealth comprised more than 36 percent of the District’s total revenue in the 2018-19 fiscal year. The District’s Commonwealth subsidy increased by over \$600,000 during the audit period. Federal revenue comprised around 2 percent of the District’s total revenue. Overall, the District’s total revenue increased by 8 percent during the audit period. Chart 2 shows the District’s revenue sources for each year of the audit period.

<sup>10</sup> Information obtained from the statements of revenue, expenditures, and changes in fund balances within the independent auditors reports for the fiscal years 2015-16 through 2018-19.

**Chart 2**



### Expenditures

District expenditures are categorized into five major functions:

- 1) Instructional
- 2) Support Services
- 3) Non-instructional
- 4) Capital Outlay
- 5) Debt Service

The District's total expenditures increased 14 percent during the audit period. The most significant increase occurred in the support services category, which increased almost \$1.2 million or 19 percent.<sup>11</sup> The increase in expenditures in this category was attributable to increasing legal costs associated with the District's special education program along with the District hiring additional special education aids. The District also hired a Curriculum Director to assess the District's curriculum strengths and weaknesses as part of a three-year plan to better implement a strategy to improve curriculum and plan for related costs.

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<sup>11</sup> Those services that provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction.

The table below illustrates the District’s expenditures by category for each year of the audit period.

**Table 3**

<b>Riverside School District Total Expenditures<sup>12</sup></b>					
<b>Fiscal Years Ended June 30</b>					
<b>Total Expenditures</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Totals</b>
<b>Instructional</b>	\$14,587,496	\$14,734,480	\$15,735,492	\$15,434,416	<b>\$60,491,884</b>
<b>Support Services</b>	\$ 6,111,321	\$ 6,438,405	\$ 7,271,891	\$ 7,501,537	<b>\$27,323,154</b>
<b>Non-instructional Services</b>	\$ 532,457	\$ 493,052	\$ 442,636	\$ 464,066	<b>\$ 1,932,211</b>
<b>Capital Outlay</b>	\$ 0	\$ 0	\$ 0	\$ 8,636	<b>\$ 8,636</b>
<b>Debt Service</b>	\$ 271,032	\$ 221,401	\$ 181,557	\$ 184,353	<b>\$ 858,343</b>
<b>Total</b>	<b>\$21,502,306</b>	<b>\$21,887,338</b>	<b>\$23,631,576</b>	<b>\$23,593,008</b>	<b>\$90,614,228</b>

### **Transfers from General Fund to Debt Service Fund**

As shown in Table 3 above, the District had minimal General Fund expenditures in the categories of capital outlay and debt service. This is due to the fact that in addition to the General Fund, the District has two other Governmental Fund Types, including: 1) the Debt Service Fund<sup>13</sup> and 2) the Capital Projects Fund.<sup>14</sup> Almost all of the District’s other financing uses cited in Table 2 were transfers from the General Fund to the Debt Service Fund. This was the primary cause of the District’s General Fund balance decrease during the audit period.

Despite transferring more than \$8 million to the Debt Service Fund during the audit period, the District did not significantly reduce its total debt due to refinancing and other borrowings that occurred during the audit period.

<sup>12</sup> Information obtained from the District’s Independent Auditor’s Report, *Statement of Revenue, Expenditures and Changes in Fund Balance*, fiscal years ending 2015 through 2019. We did not perform procedures to verify the accuracy of the amounts presented.

<sup>13</sup> Accounts for the accumulation of resources, sources for and payment of general long-term debt principal and interest.

<sup>14</sup> Accounts for debt proceeds and other resources restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



Table 4 below shows the District’s beginning and ending total debt balances.

**Table 4**

<b>Riverside School District Debt Summary</b>				
<b>Fiscal Year Ending June 30</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>2016</b>	\$21,420,000	\$ 0	\$ 1,785,000	\$19,635,000
<b>2017</b>	\$19,635,000	\$3,565,000	\$ 5,140,000	\$16,060,000
<b>2018</b>	\$18,060,000	\$1,245,000	\$ 1,910,000	\$17,395,000
<b>2019</b>	\$17,395,000	\$3,730,000	\$ 1,980,000	\$19,145,000
<b>Total</b>	---	<b>\$8,540,000</b>	<b>\$10,815,000</b>	---

During the 2018-19 fiscal year, the District entered into a \$3,730,000 General Obligation Bond Series 2018 for improvements to facilities, which contributed to the increase of debt. According to District officials, the District has completed its building renovations, which were necessary to ensure all buildings meet building code standards. However, the District will continue to have significant debt obligations in the future. These debt obligations coupled with a meager General Fund balance leaves the District in a precarious financial state. Without significant additions of revenue or reductions of expenditures, the District is at risk of being placed on *financial watch status*.

The following table shows the District’s future debt service payments as of June 30, 2019.

**Table 5**

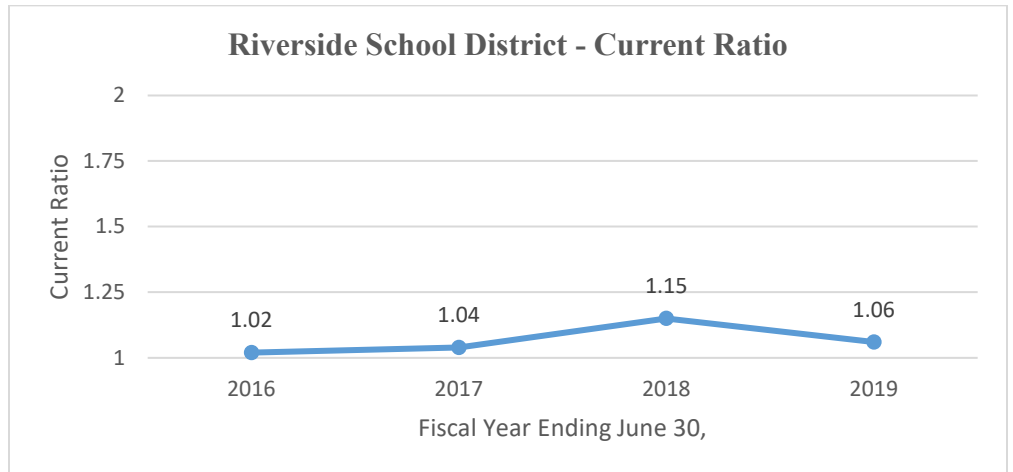
<b>Riverside School District Future Debt Payments</b>			
<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2020</b>	\$ 2,030,000	\$ 541,169	\$ 2,571,169
<b>2021</b>	\$ 2,115,000	\$ 470,855	\$ 2,585,855
<b>2022</b>	\$ 2,130,000	\$ 410,295	\$ 2,540,295
<b>2023</b>	\$ 2,195,000	\$ 348,248	\$ 2,543,248
<b>2024</b>	\$ 2,265,000	\$ 210,780	\$ 2,475,780
<b>2025-2028</b>	\$ 8,410,000	\$2,448,948	\$ 8,877,601
<b>Total:</b>	<b>\$19,145,000</b>	<b>\$4,430,295</b>	<b>\$21,593,948</b>

## Low Current Ratio

The District's current ratio (current assets/current liabilities) was below 2.0 for each year of the audit period. In accordance with best business practices, a current ratio below 2.0 is considered weak. A current ratio under 1.0 is especially troubling because liabilities exceed assets. The District's current ratio hovered around 1.0 for the audit period with the exception of the 2017-18 fiscal year due to proceeds from bond refinancing.

The low current ratio, which is indicative of dwindling available resources, could lead the District to consider issuing Tax Anticipation Notes to assist with cash flow demands or to delay payments to certain vendors until sufficient revenue was received. The following chart illustrates the District's current ratio over the four-year audit period.

**Chart 4**



## Summary

In summary, the District's financial position declined over the review period. At no time during the audit period was the District's General Fund balance close to meeting GFOA's best practices. This occurred due to the significant amount of transfers to the District's Debt Service Fund and the increase in expenditures, especially support services expenditures. These increases exceeded the additional taxes received from the annual tax increases during the audit period. The District's future debt service obligations are a significant annual expense and in order to ensure a secure financial future, the District must develop a budget that leads to increases in the General Fund balance while meeting these debt obligations. Otherwise, the District is at risk of being placed on *financial watch status* and losing local control of District operations.

## **Recommendations**

The *Riverside School District* should:

1. Develop a board policy that requires the District to maintain a fund balance as a percentage of expenditures that will help the District meet GFOA best practices.
2. Ensure that all expenditures are compared to budgetary amounts during the Board approval process.

## **Management Response**

District management provided the following response:

“The Riverside School District adopted a cash management policy on June 6, 2016, which encompasses reservations to maintain a fund balance as defined in accordance with Governmental Accounting and Financial Standards Board State NO. 54, Fund Balance reporting and Governmental Fund Type Definitions. The District will follow the recommendations of these findings and adopt a stand-alone Fund Balance Policy, separate from its existing Cash Management Policy, at its next Board Meeting to be held on October 12, 2020.

The District acknowledges it’s declining and lower than recommended fund balance is largely due to the Debt Obligations required to keep our facilities up to building code standards, in conjunctions with escalating special education cost, investments in curriculum development and cyber student expenditures. The District has previously identified these financial difficulties and has developed an action plan to correct these issues. The District has replaced their Special Education Director with a professional and more experienced one in retaining and bringing students back to their home District as opposed to placing them in costly out-of-District institutions. To accommodate for the expected increase of in-house special education students, we are in preliminary stages of creating the classroom space necessary to house these students, with an expected completion date of September of 2021. In addition, our three year Curriculum Director’s contract has expired effective September 11, 2020.

Finally, our District has made fiscally driven staffing decisions by not replacing its two most recent retirees and eliminating the positions of librarians and library aides in our District, and repurposed some of these employees to manage our growing number of cyber and remote learning students. Our District is continuing to analyze our department and staffing levels to ensure we are adequately staffed.

Our Business Manager and financial chairperson on our School Board meet on a monthly and quarterly basis to review current budget projections and develop long term financial initiatives. The most

substantial financial initiative, to correct our low fund balance and meet our bond payment obligations, was adopted in 2019 when the District entered into a new Delinquent Collections contract. This agreement has favorably changed the cash flow projections of the District by over \$400,000 by the end of 2023.”

### **Auditor Conclusion**

We are pleased that the District has implemented or intends to implement needed corrective actions based on our audit recommendations. We believe that implementing our recommendations will help the District obtain financial stability. We will review the District’s corrective actions during our next audit of the District.

## Finding No. 2

## The District Failed to Retain the Required Supporting Documentation to Verify More Than \$1.8 Million Received in Transportation Reimbursements and Inaccurately Reported Transportation Data Resulting in an Overpayment of \$51,975

*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 utilized passenger capacity of vehicles for reimbursement purposes...” *See* 24 P.S. § 25-2541(a).

The District did not comply with the record retention provisions of the Public School Code (PSC) when it failed to retain adequate source documentation to verify the accuracy of the more than \$1.8 million it received in transportation reimbursements from PDE. The District lacked supporting documentation for the regular transportation reimbursements it received during the 2015-16 through 2018-19 school years and the supplemental reimbursements it received for the 2015-16 and 2017-18 school years.

Additionally, the District over-reported the number of nonpublic school and charter school students transported during the 2016-17 school year and the number of nonpublic school students transported during the 2018-19 school year resulting in supplemental transportation reimbursement overpayments of \$51,975.

School districts receive two separate transportation reimbursement payments from PDE. One reimbursement is broadly based on the number of students transported, the number of days each vehicle was used for transporting students, and the number of miles that vehicles are in service, both with and without students (i.e., regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic school students transported (i.e., supplemental transportation reimbursement). The issues discussed in this finding pertain to both the District’s regular and supplemental transportation reimbursements received.

Without proper documentation, we were unable to determine the appropriateness of the regular transportation reimbursement received by the District during the 2015-16 through 2018-19 school years and the supplemental transportation reimbursement received for the 2015-16 and 2017-18 school years. It is absolutely essential that records related to the District’s transportation expenses and transportation 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>15</sup> As a

<sup>15</sup> *See* 24 P.S. § 5-518.

*Criteria relevant to the finding  
(continued):*

### **Supplemental Transportation Subsidy for Public Charter School and 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. 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.

The Charter School Law (CSL), through its reference to Section 2509.3 of the Public School Code, 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, (cited above) 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...”

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.

It is also important to note that the PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in order to be eligible for transportation reimbursements. The District completed this sworn statement for all four school years discussed in this finding. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on PDE’s reporting requirements. An official signing a sworn statement must be aware that by submitting the transportation data to PDE, he/she is asserting that the information is true and that they have verified evidence of accuracy.<sup>16</sup>

### **Lack of Documentation for Regular Transportation Reimbursement**

Regular transportation reimbursement is based on several components that are reported by the District to PDE for use in calculating the District’s annual reimbursement amount. These components include, but are not limited to, the following:

- Total number of days each vehicle is used to transport students to and from school.
- Miles with and without students for each vehicle.
- Number of students assigned to each vehicle.

PDE guidelines state that districts are required to report the number of miles per day, to the nearest tenth, that each vehicle travels with and without students. Districts are also required to report the number of students assigned on each bus run. If these figures change during the year, districts are required to calculate a weighted or sample average.

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<sup>16</sup> Please note that while a sworn statement is different from an affidavit, in that a sworn statement is not typically signed or certified by a notary public but it is, nonetheless, taken under oath. See <https://legaldictionary.net/sworn-statement/> (accessed July 29, 2020).

*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.” Ibid.

**Record Retention Requirement**

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

**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” 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 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.

The table below shows the student and vehicle data reported to PDE and the regular reimbursement received for each school year during the audit period.

**Table 1**

Riverside School District Transportation Data Reported to PDE				
School Year	Reported Number of Students Transported	Reported Number of Vehicles	Reported Total Approved Annual Miles	Total Reimbursement Received
2015-16	747	42	374,171	\$ 467,642
2016-17	828	41	433,671	\$ 475,503
2017-18	842	37	365,706	\$ 438,538
2018-19	836	38	380,278	\$ 432,834
<b>Totals</b>	<b>3,253</b>	<b>158</b>	<b>1,553,826</b>	<b>\$1,814,517</b>

As illustrated in the table above, the reported number of students transported increased while the number of vehicles used to transport students decreased during the audit period. Further, there was a significant increase in the reported approved annual miles during the 2016-17 school year. Based on past accumulative experience, reported information of an inconsistent nature indicates possible errors, and therefore, warrants a detailed review of the reported information. While the District was able to give verbal statements as to the reasons for the variances, they were unable to provide documentation to support their assertions. In this case, we were unable to determine the accuracy of the reported information for the 2015-16 through 2018-19 school years due to the District’s failure to retain appropriate supporting documentation in accordance with the PSC.

**No Internal Controls:** The District lacked internal controls over obtaining, processing, and reporting transportation data to PDE. The District relied on its transportation contractors to obtain and process transportation data. The District reported the transportation data from its contractors without reviewing this information. When we requested supporting documentation, the District was unable to provide complete information. For example, some documents that the District provided lacked key identifying information like vehicle identification numbers. Other supporting documentation did not have complete mileage and student data.

## Supplemental Transportation Reimbursement

The PSC requires school districts to provide transportation services to students who reside in its district and who attend a nonpublic school or charter school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district.<sup>17</sup> This reimbursement was made applicable to the transportation of charter school students pursuant to an equivalent provision in the Charter School Law, which refers to Section 2509.3 of the PSC.<sup>18</sup>

The District failed to retain supporting documentation for the number of nonpublic and charter school students transported for the 2015-16 and 2017-18 school years and inaccurately reported this information for the 2016-17 and 2018-19 school years. The first table below shows the supplemental transportation reimbursement received for the school years without supporting documentation and the second table illustrates the inaccurate reporting and cumulative overpayments.

**Table 2**

<b>Riverside School District Supplemental Transportation Data No Supporting Documentation</b>			
<b>School Year</b>	<b>Nonpublic School Students Reported</b>	<b>Charter School Students Reported</b>	<b>Supplemental Reimbursement Received</b>
<b>2015-16</b>	123	0	\$ 47,355
<b>2017-18</b>	145	7	\$ 58,520
<b>Totals</b>	<b>268</b>	<b>7</b>	<b>\$105,875</b>

<sup>17</sup> According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements. *See* Section 921.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

<sup>18</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”).



**Table 3**

<b>Riverside School District Supplemental Transportation Data Reporting Errors</b>			
	<b>Number of Students Over Reported</b>		
<b>School Year</b>	<b>Nonpublic School</b>	<b>Charter School</b>	<b>Overpayment Amount</b>
<b>2016-17</b>	59	7	\$25,410
<b>2018-19</b>	69	0	\$26,565
<b>Totals</b>	<b>128</b>	<b>7</b>	<b>\$51,975</b>

**No Internal Controls:** Similar to the lack of internal controls over regular transportation reporting, the District lacked internal controls over supplemental transportation reporting. The District was reliant on one former official to compile and report this information and no other District employee reviewed this information or ensured supporting documentation was retained. Current District officials could not explain why alternative years of supporting documentation was available.

Based on our review of the documentation for the 2016-17 and 2018-19 school years, it seems that the inaccurate reporting was due to the District reporting some students twice. These students were transported both in the morning and afternoon and the District received more supplemental reimbursements than it was eligible to receive.

**Summary**

The District did not have internal controls governing its process for compiling and reporting transportation data to PDE. Further, the District was unable to produce the majority of the supporting documentation needed to review the accuracy of the reimbursements it received. The District failed in its fiduciary duties to taxpayers and was not in compliance with the PSC by not retaining this information. In addition, we reviewed the documentation that was maintained and found errors in the data the District reported to PDE. 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 and statutory duties, which includes implementing internal controls and complying with the PSC’s record retention requirements.

## **Recommendations**

The *Riverside School District* should:

1. Immediately take the appropriate administrative measures to ensure the District obtains and retains all documentation supporting the transportation data reported to PDE, including student bus rosters, odometer readings, and requests for transportation in accordance with the PSC's record retention requirements.
2. Ensure that record retention procedures are documented and establish a safe and adequate location to store all source documents and calculations supporting the transportation data submitted to PDE.
3. Ensure that personnel in charge of reporting transportation data are trained with regard to PDE's reporting guidelines for vehicle data and nonpublic/charter school students as well as the PSC's record retention policies.
4. Ensure that internal controls are implemented over the obtaining, processing, and reporting of transportation data. These internal controls should include a secondary review of the transportation data before District officials sign the annual sworn statement attesting to the accuracy of the data.
5. Review the nonpublic school and charter school students reported to PDE for reimbursement for the 2019-20 school year, and if errors are found, submit revisions to PDE.

## **Management Response**

District management provided the following response, in pertinent part:

“As a District, we identified inefficiencies prior to our Audit and in 2019 we created a Director of Compliance position. We have implemented and are currently utilizing the proper framework to ensure 100% compliance beginning with the 2019-2020 School Year.

In response to recommendation #1 and #2, the District developed bussing rosters, driver requirements to properly register their odometer readings and transportation request forms. All of these requirements for transportation are stored in a secure school district google drive folder, which will be maintained according to PSC's record retention policy.

In response to recommendation #3, the District Business Manager as well as Compliance Director has attended the 2019 Elements of Transportation seminar provided by PASBO and receive emails and alerts on up to date information and policy changes.

In response to recommendation #4, the District has implemented a series of checks and balances to monitor transportation data on a monthly basis to reconcile with its annual reporting. Prior to any payments being made to a contractor, the Compliance Director and Business Manager review and approve the required monthly data submissions made by the contractor. These two Administrators ensure the number of students match the most current bussing rosters, the odometer readings are current for miles with and without students. This data is reconciled monthly and the total of this data will be again verified before submitting information to PDE for reimbursement.

In response to recommendation #5, our Compliance Director and Business Manager maintain a current monthly roster of all non-public and charter students.”

### **Auditor Conclusion**

We are pleased that the District has implemented or intends to implement corrective actions based on our audit recommendations. We believe that implementing our recommendations will help the District obtain and retain all necessary transportation documentation and provide adequate internal controls needed to ensure it accurately reports transportation data to PDE. We will review the District’s corrective actions during our next audit of the District.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Riverside School District (District) released on September 17, 2015, resulted in 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 interviewed District personnel and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on September 17, 2015

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**Prior Observation:**        **District Should Monitor Key Financial Indicators to Try to Prevent Further Fiscal Challenges**

Prior Observations

Summary:

During the prior audit of the District, several financial indicators were reviewed in an effort to assess the District's financial stability. The review found the District was in a financially declining position.

Prior Recommendations: We recommended that the District should:

1. Provide the Board of School Directors standard monthly updates on key financial benchmarks so that policy changes can be made before the District's financial condition worsens.
2. Implement written budgeting procedures to better address and plan for projected future costs. These procedures should address, but not be limited to, increased Public School Employees' Retirement System rate contributions, reduction of charter school funding, unfunded special education mandated costs, and increased transportation costs.

Current Status:

The administration now provides the Board with standard monthly updates on key financial benchmarks, including budget to actual reports. The District also implemented a three-year budget projection to address educational and support needs at building levels and to assist with paying down its debt. In addition, we found that the District developed a *Budget Planning Guide* for 2020-21 that provides written budgeting procedures.

While the District has taken some corrective actions since our prior audit, we found that the District continued to experience a weak financial position as evidenced by its declining fund balance and its failure to comply with recommended best practices. Details of our assessment of the District's financial position during the current audit period can be found in Finding No. 1 beginning on page 7 of this report.

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

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>19</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of financial stability, transportation operations, bus driver requirements, administrator separations, social security reimbursement, construction project reimbursement and school safety, including fire and security drills. The audit objectives supporting these areas of focus are explained in the context of our methodology to achieve the objectives in the next section. Overall, our audit covered the period July 1, 2015 through June 30, 2019. The scope of each individual objective is also detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal control to provide reasonable assurance that the District's objectives will be achieved.<sup>20</sup> *Standards for Internal Control in the Federal Government* (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. The Department of the Auditor General used the Green Book as the internal control analysis framework during the conduct of our audit.<sup>21</sup> The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow in establishing an effective system of internal control. We illustrate the five components and their underlying principles in Figure 1 on the following page.

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<sup>19</sup> 72 P.S. §§ 402 and 403.

<sup>20</sup> District objectives can be broadly classified into one or more of the following areas: effectiveness of operations; reliability of reporting for internal and external use; and compliance with applicable laws and regulations, more specifically in the District, referring to certain relevant state laws, regulations, contracts, and administrative procedures.

<sup>21</sup> Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

**Figure 1: Green Book Hierarchical Framework of Internal Control Standards**

Principle	Description	Principle	Description
<b>Control Environment</b>		<b>Control Activities</b>	
<b>1</b>	Demonstrate commitment to integrity and ethical values	<b>10</b>	Design control activities
<b>2</b>	Exercise oversight responsibility	<b>11</b>	Design activities for the information system
<b>3</b>	Establish structure, responsibility, and authority	<b>12</b>	Implement control activities
<b>4</b>	Demonstrate commitment to competence	<b>Information and Communication</b>	
<b>5</b>	Enforce accountability	<b>13</b>	Use quality information
<b>Risk Assessment</b>		<b>14</b>	Communicate internally
<b>6</b>	Define objectives and risk tolerances	<b>15</b>	Communicate externally
<b>7</b>	Identify, analyze, and respond to risks	<b>Monitoring</b>	
<b>8</b>	Assess fraud risk	<b>16</b>	Perform monitoring activities
<b>9</b>	Identify, analyze, and respond to change	<b>17</b>	Evaluate issues and remediate deficiencies

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

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

**Figure 2 – Internal Control Components and Principles Identified as Significant**

Principle →	Internal Control Significant?	Control Environment					Risk Assessment				Control Activities			Information and Communication			Monitoring	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
General/overall	Yes	X	X	X	X	X	X	X		X				X	X	X		
Financial Stability	No																	
Transportation	Yes				X			X	X		X		X	X	X	X	X	
Bus Drivers	Yes									X		X			X	X		
Social Security and Retirement Reimbursements	Yes									X		X	X		X	X		
Administrator Separations	No																	
Construction Project Reimbursement	No																	
Safe Schools	No																	

**Objectives/Scope/Methodology**

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District’s annual financial reports, annual General Fund budgets, and the independent audit reports of the District’s basic financial statements for the 2015-16 through 2018-19 fiscal years. We conducted analytical procedures on the District’s state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

**Financial Stability**

- Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District’s budget?
  - ✓ To address this objective, we reviewed the District’s annual financial reports, General Fund budgets, and independent auditor reports for the 2015-16 through 2018-19 fiscal years. The financial and statistical data was used to evaluate the District’s General Fund balance, operating position, debt service payments and charter school costs over the period. We also calculated the debt and current ratios for each year. These financial indicators were deemed appropriate for assessing the District’s financial stability. The financial indicators were based on best business

practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics.

**Conclusion:** The results of our procedures for this objective are detailed in Finding No. 1 of this report beginning on page 7.

### **Transportation Operations**

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?<sup>22</sup>
  - ✓ To address this objective, we assessed the District’s internal controls for obtaining, processing and reporting transportation data to PDE. We obtained PDE’s Summary of Individual Vehicle Data report and randomly selected 10 of 38 vehicles used to transport District students during the 2018-19 school year. For each vehicle tested, we obtained the school calendar and verified the number of days transported was accurately reported to PDE. We obtained any route documentation, and rosters available for audit. Because of a lack of documentation, we were unable to determine if miles with and without students and the number of students transported were accurately reported to PDE and if the District was reimbursed accurately for the reported information. We attempted to test the remaining 28 vehicles used to transport students in the 2018-19 school year and all of the vehicles used to transport students in the 2015-16, 2016-17, and 2017-18 school years. However, there was also a lack of documentation for these vehicles.<sup>23</sup>
  - ✓ We reviewed all of the bus rosters provided by contracted drivers and the corresponding request for transportation forms provided by the District to determine if nonpublic and charter school students transported by the District during the 2016-17 and 2018-19 school years were accurately reported to PDE and if the District received the correct subsidy for these students.<sup>24</sup> Due to a lack of documentation, specifically bus rosters and request for transportation forms, we were unable to verify the accuracy of the nonpublic school students reported to PDE for the 2015-16 and 2017-18 school years and the charter school students reported for the 2017-18 school year.<sup>25</sup>

**Conclusion:** The results of our procedures identified significant internal control deficiencies related to transportation operations that are detailed in Finding No. 2 beginning on page 17 of this report.

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

<sup>23</sup> The District used 42, 41, 37, and 38 vehicles to transport students during the 2015-16, 2016-17, 2017-18, and 2018-19 school years, respectively.

<sup>24</sup> The District reported 135 nonpublic school students and 8 charter school students transported during the 2016-17 school year. The District reported 138 nonpublic school students and 3 charter school students transported during the 2018-19 school year.

<sup>25</sup> The District reported 123 nonpublic school students and 0 charter school students transported for the 2015-16 school year. The District reported 145 nonpublic school students and 7 charter school students transported for the 2017-18 school year.



## **Bus Driver Requirements**

- Did the District ensure that all bus drivers transporting District students are board approved and had the required driver's license, physical exam, training, background checks, and clearances<sup>26</sup> as outlined in applicable laws?<sup>27</sup> Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
  - ✓ To address this objective, we assessed the District's internal controls for maintaining and reviewing required bus driver qualification documents and its procedures for being made aware of who transported students daily. We determined if all drivers were Board approved by the District. We reviewed all 38 bus and van drivers transporting District students as of March 3, 2020. We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and health physicals.

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

## **Social Security and Retirement Reimbursement**

- Did the District correctly calculate and report Social Security, Medicare, and retirement wages to PDE, and did the District receive the correct amount of reimbursement from PDE?<sup>28</sup>
  - ✓ To address this objective, we assessed the District's internal controls in place for obtaining and processing Social Security and retirement wages and determined if these controls were suitable to ensure accurate reporting to PDE for reimbursement. We reconciled the 2018-19 fiscal year Social Security and Medicare wages on District payroll reports to the Employer's Quarterly Federal Tax Returns to ensure wages agreed with those reported on the Federal Tax Returns. We then reconciled the total Social Security, Medicare, and retirement wages reported to PDE for the 2018-19 fiscal year with the District's Annual Financial Report, quarterly payroll reports, and Act 29/Wage report to ensure the District received the correct subsidy.

**Conclusion:** The results of our procedures did not identify any significant internal control deficiencies, and our procedures related to this objective did not disclose any reportable issues.

## **Administrator Separations**

- Were all individually contracted employees who separated employment from the District compensated in accordance with their contract? Also, did all final payments to the separated employees comply with the Public School Code<sup>29</sup> and the Public School Employees' Retirement System (PSERS) guidelines?

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<sup>26</sup> Auditors reviewed the required state, federal, and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police, and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

<sup>27</sup> PSC 24 P.S. § 1-111, CPSL 23 Pa.C.S. § 6344(a.1), PSC (Educator Discipline) 24 P.S. § 2070.1a *et seq.*, State Vehicle Code 75 Pa.C.S. §§ 1508.1 and 1509, and State Board of Education's regulations 22 Pa. Code Chapter 8.

<sup>28</sup> See 24 P.S. § 8329.

<sup>29</sup> 24 P.S. § 10-1073(e) (2) (v).

- ✓ To address this objective, we reviewed the board meeting minutes, employment contract and payroll records for the one individually contracted administrator who separated employment from the District during the period July 1, 2015 through June 18, 2020. We also reviewed the final payout records and the wage data reported to PSERS to determine if only eligible wages were reported.

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

### **Construction Project Reimbursement**

- Did the District apply for PDE reimbursement of costs related to its approved construction projects?<sup>30</sup>
  - ✓ To address this objective, we interviewed District officials to obtain an understanding of the policies and procedures regarding the District’s process for applying for PDE reimbursement for approved construction projects. We obtained and reviewed documentation verifying that the District was in the process of filing for reimbursement for all approved projects during the 2018-19 school year.

**Conclusion:** The results of our procedure for this objective did not disclose any reportable issues.

### **School Safety**

- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding with local law enforcement?<sup>31</sup> Also, did the District follow best practices related to physical building security and providing a safe school environment?
  - ✓ To address this objective, we reviewed a variety of documentation including safety plans, risk and vulnerability assessments, anti-bullying policies, safety committee meeting minutes, and memorandums of understanding with local law enforcement.
- Conclusion:** Due to the sensitive nature of school safety, the results of our review for this portion of the objective are not described in our audit report, but they were shared with District officials, PDE’s Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.<sup>32</sup>
- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?<sup>33</sup> Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?
  - ✓ To address this objective, we obtained and reviewed the fire and security drill records for the 2018-19 school year. We determined if a security drill was held within the first 90 days of the school year for each building in the District and if monthly fire drills were conducted in

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<sup>30</sup> See 24 P.S. §§ 2574.

<sup>31</sup> Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

<sup>32</sup> Other law enforcement agencies include the Pennsylvania State Police, the Attorney General’s Office, and local law enforcement with jurisdiction over the District’s school buildings.

<sup>33</sup> PSC (Fire and Security Drills) 24 P.S. § 15-1517.

accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation.

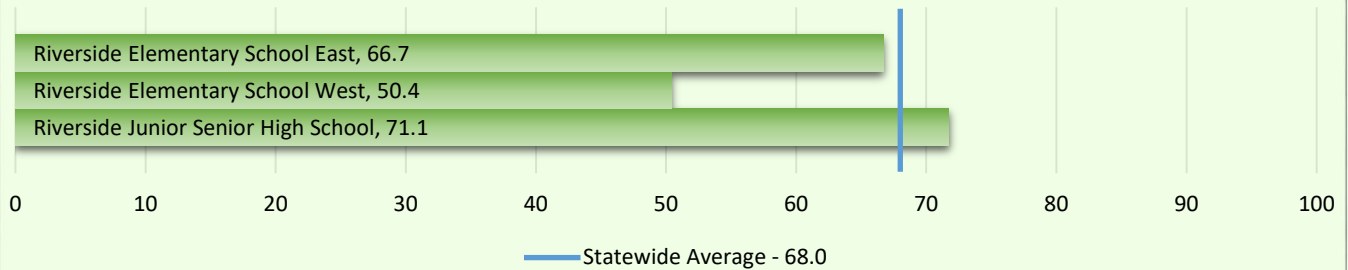
**Conclusion:** The results of our procedures for this portion of the objective did not disclose any reportable issues.

## Appendix B: Academic Detail

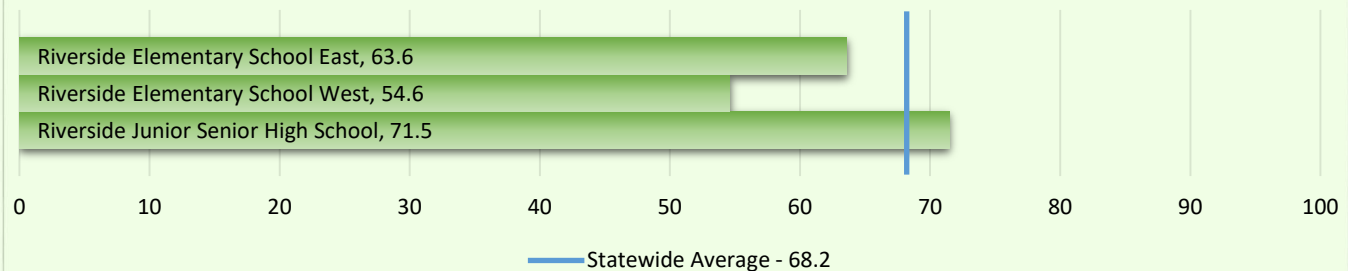
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>34</sup> Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.<sup>35</sup>

### SPP School Scores Compared to Statewide Averages

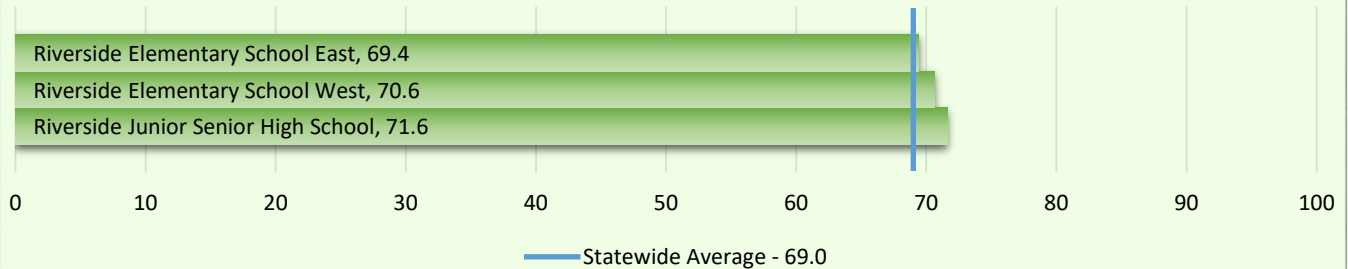
#### 2018-19



#### 2017-18



#### 2016-17

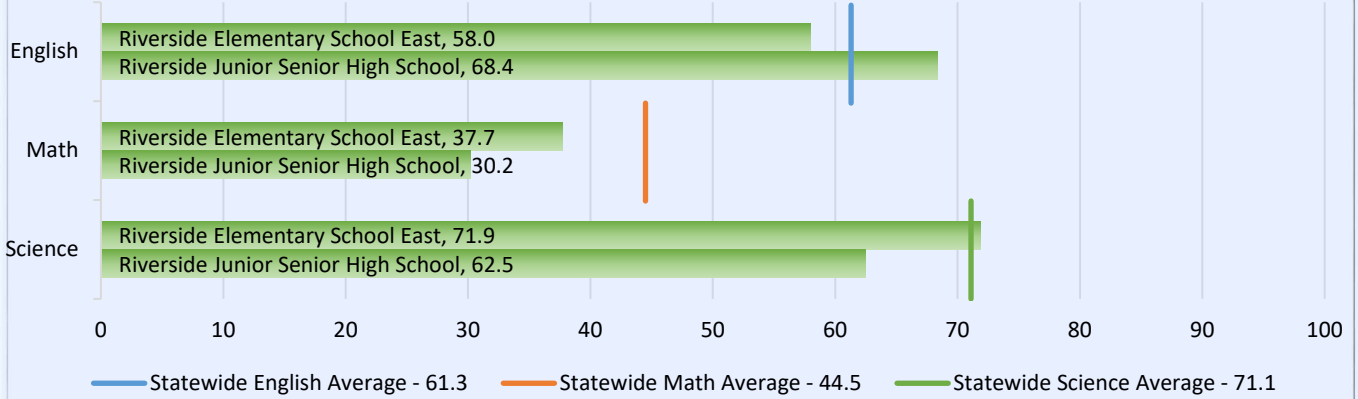


<sup>34</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

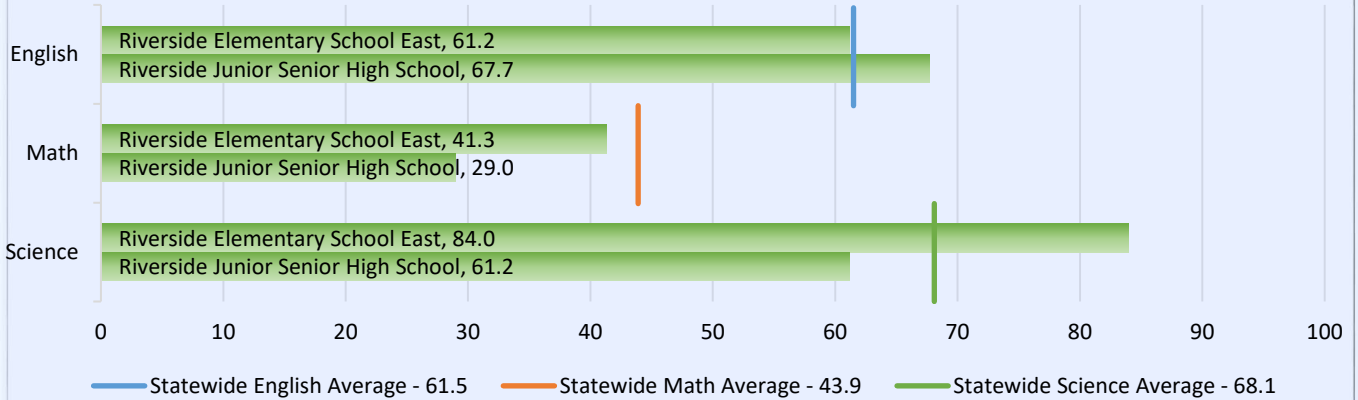
<sup>35</sup> PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

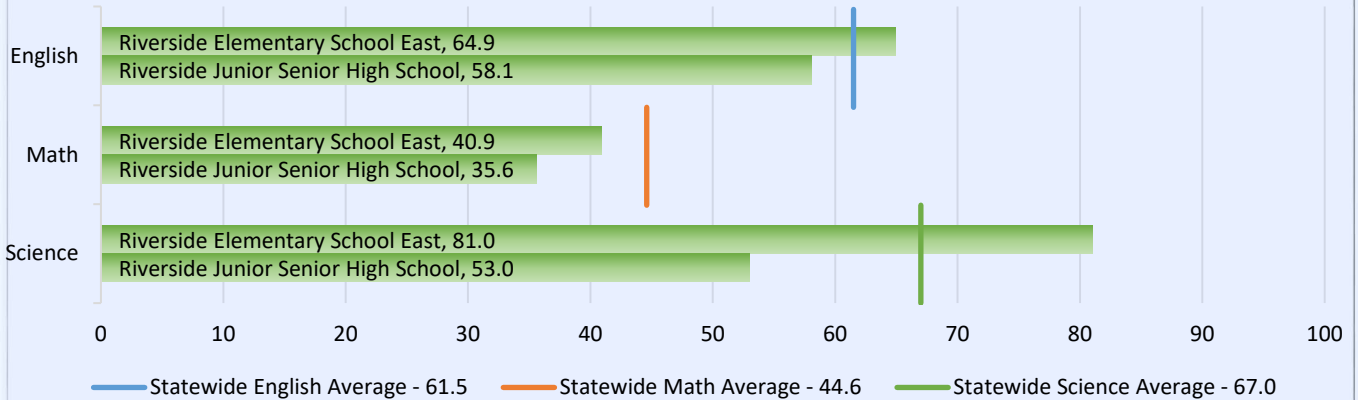
**2018-19**



**2017-18**

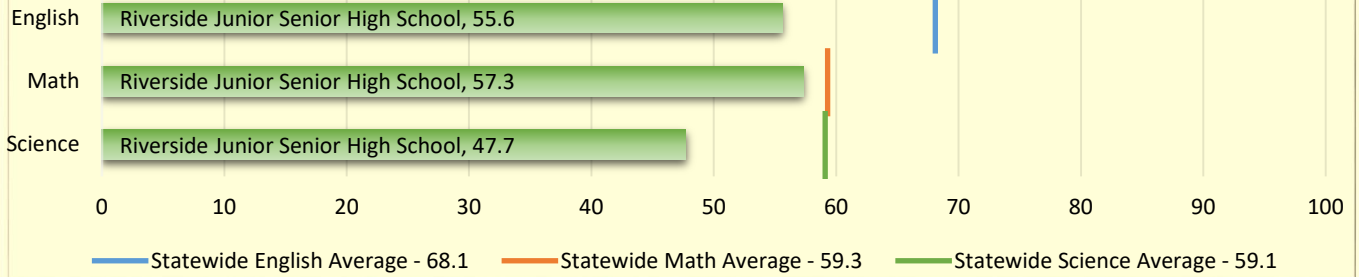


**2016-17**

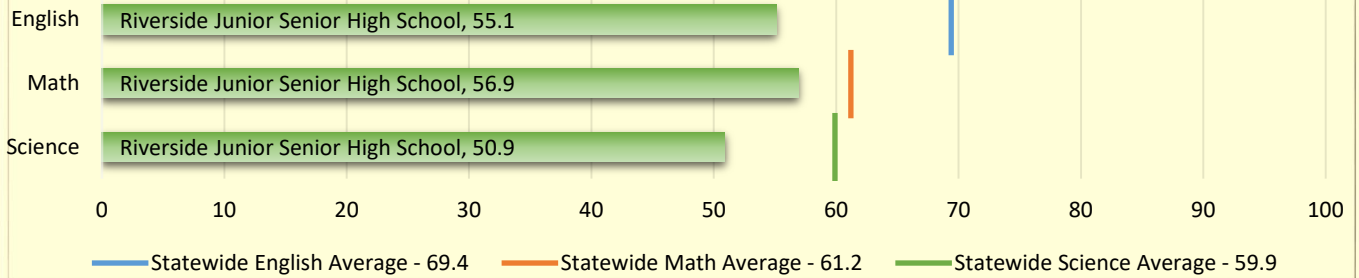


## Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

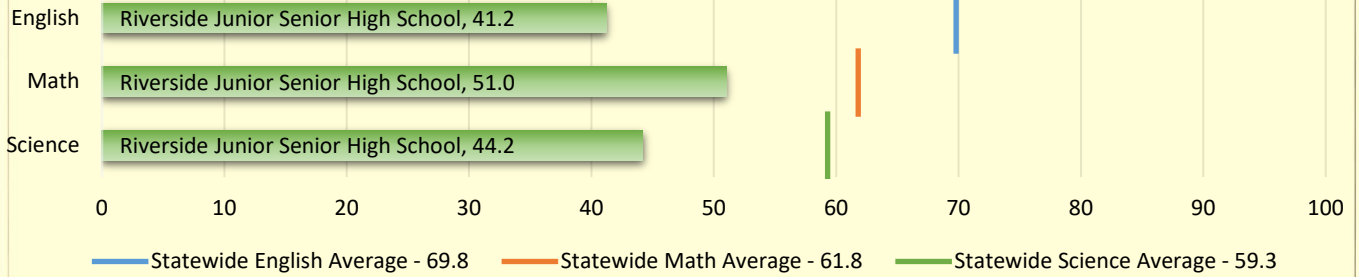
### 2018-19



### 2017-18



### 2016-17



## **Distribution List**

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