

# PERFORMANCE AUDIT

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## Springfield Township School District Montgomery County, Pennsylvania

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Dr. Nancy M. Hacker, Superintendent  
Springfield Township School District  
1901 East Paper Mill Road  
Oreland, Pennsylvania 19075

Dr. Karen Taratuski, Board President  
Springfield Township School District  
1901 East Paper Mill Road  
Oreland, Pennsylvania 19075

Dear Dr. Hacker and Dr. Taratuski:

Our performance audit of the Springfield Township School District (District) evaluated the application of best practices in the areas of contracting and school safety. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2012, through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of the report. The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District applied best practices in the areas listed above and complied, in all significant respects, with relevant requirements, except as detailed in our two findings noted in this audit report. A summary of the results is presented in the Executive Summary section of the audit report.

We did not include the results of our review of the District's procedures related to certain areas of school safety in this report due to the sensitive nature of this issue and the potential malicious use of our findings. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate agencies we deemed necessary.

Dr. Nancy M. Hacker

Dr. Karen Taratuski

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale

Auditor General

May 1, 2018

cc: **SPRINGFIELD TOWNSHIP 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 District. Our audit sought to answer certain questions regarding the Springfield Township School District's (District) application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2012, through June 30, 2016, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. (See Appendix) Compliance specific to state subsidies and reimbursements was determined for the 2012-13 through 2015-16 school years.

### Audit Conclusion and Results

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

#### **Finding No. 1: The District Failed to Adequately Comply with the Terms of its Joint Services Agreement with a Neighboring School District.**

In each year of our audit period, the District provided transportation services to a neighboring school district. The services were provided pursuant to a *Joint Services Agreement* (JSA) authorized annually by the two districts. We found that the District

failed to sufficiently comply with the terms of the JSA and the state regulations and PDE's guidelines as summarized below and described in more detail starting on page 10:

1. In the 2015-16 school year, the District failed to bill the neighboring district for two months of costs associated with transportation services provided by a contracted transportation provider totaling \$26,129.
2. The District insufficiently accounted for data used in the calculation of costs billed to the neighboring district for the transportation provided. As such, we could not determine if \$14,496 of \$83,186 billed to the neighboring district was appropriate and accurate.
3. The District did not provide adequate mileage information for each vehicle to its neighboring district.

#### **Finding No. 2: The District Failed to Retain Required Transportation Documentation to Support the More than \$730,000 in State Funding It Received.**

The District did not comply with the record retention provisions of the Public School Code when it failed to retain sufficient and accurate documentation to support its transportation reimbursements received for the 2012-13 through 2015-16 school years. Without proper documentation for the District's owned and contracted transportation services, we were unable to determine the appropriateness of the transportation reimbursement received (see page 16).

**Status of Prior Audit Findings and Observations.** We found that the District has taken appropriate corrective action in implementing our recommendations regarding its previous failure to withhold income taxes (see page 24).

## Background Information

School Characteristics 2016-17 School Year <sup>A</sup>	
County	Montgomery
<b>Total Square Miles</b>	6.8
<b>Resident Population<sup>B</sup></b>	19,418
<b>Number of School Buildings</b>	4
<b>Total Teachers</b>	214
<b>Total Full or Part-Time Support Staff</b>	217
<b>Total Administrators</b>	23
<b>Total Enrollment for Most Recent School Year</b>	2,500
<b>Intermediate Unit Number</b>	23
<b>District Vo-Tech School</b>	Eastern Center for Arts & Technology

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

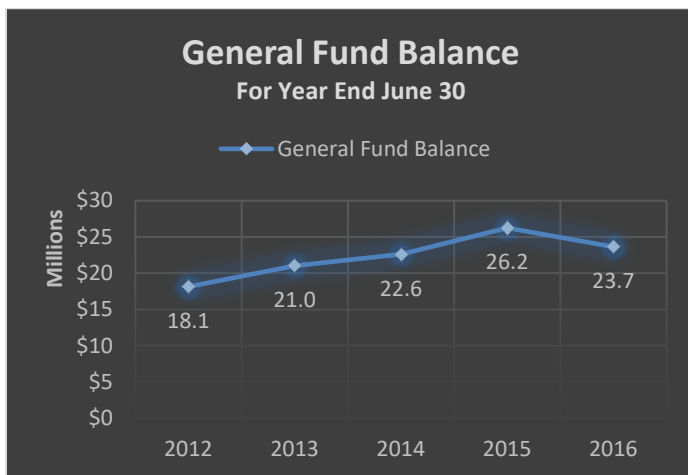
B - Source: United States Census  
<http://www.census.gov/2010census>.

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

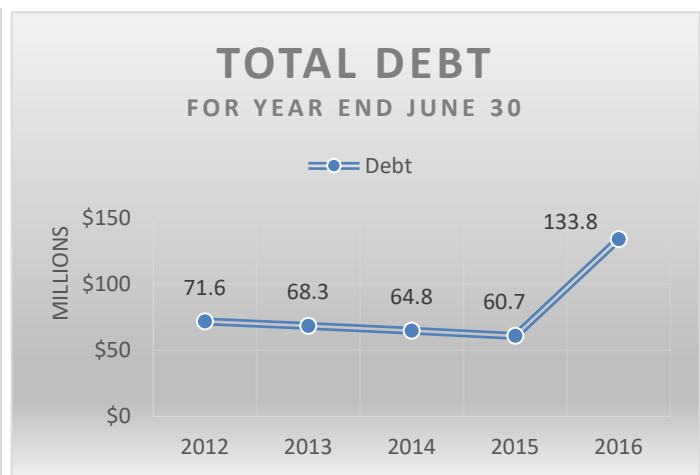
To educate and develop all students as learners and citizens who are high-achieving, resilient and responsible in a changing global community.

## Financial Information

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

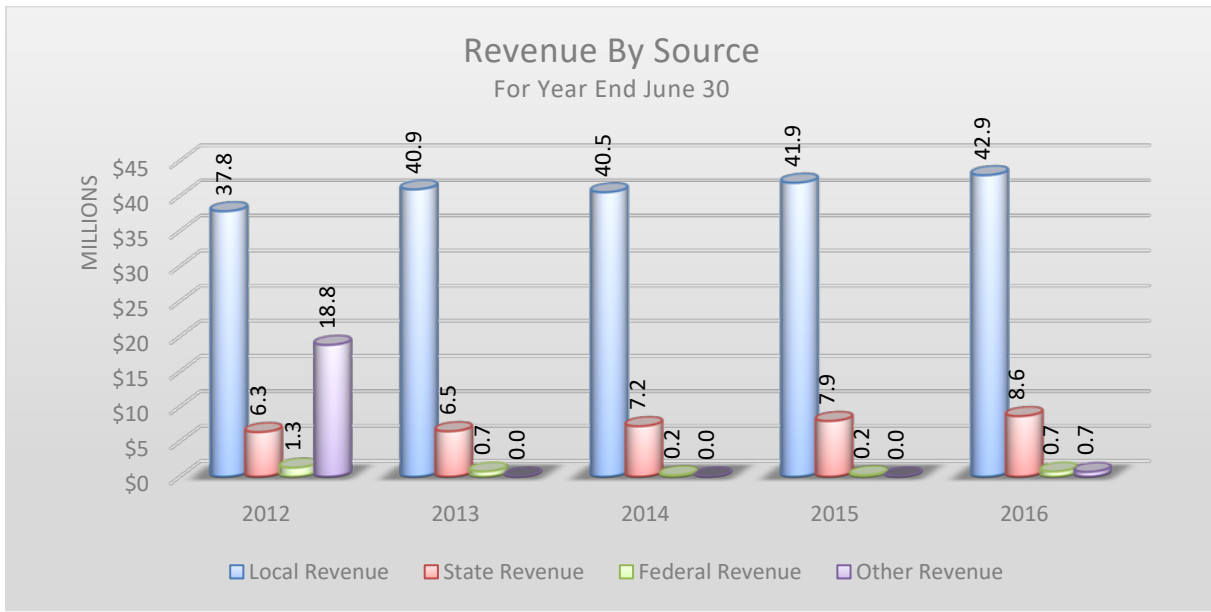
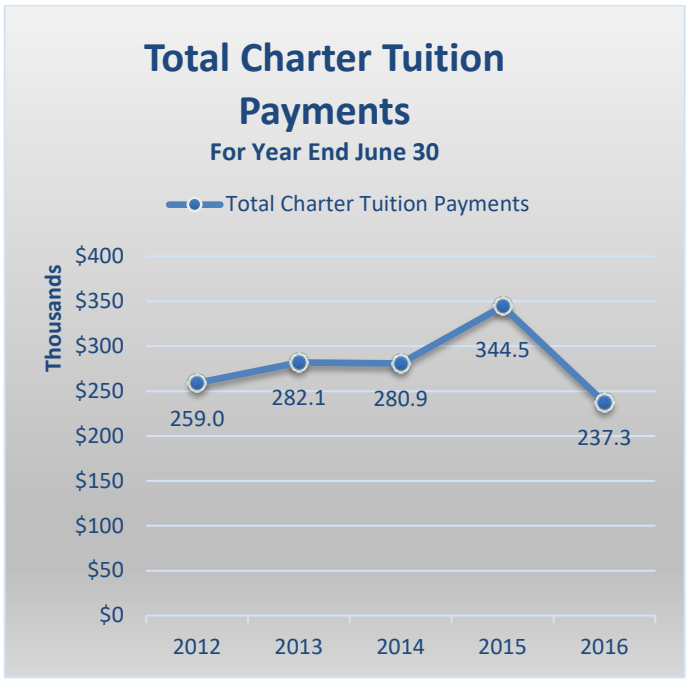
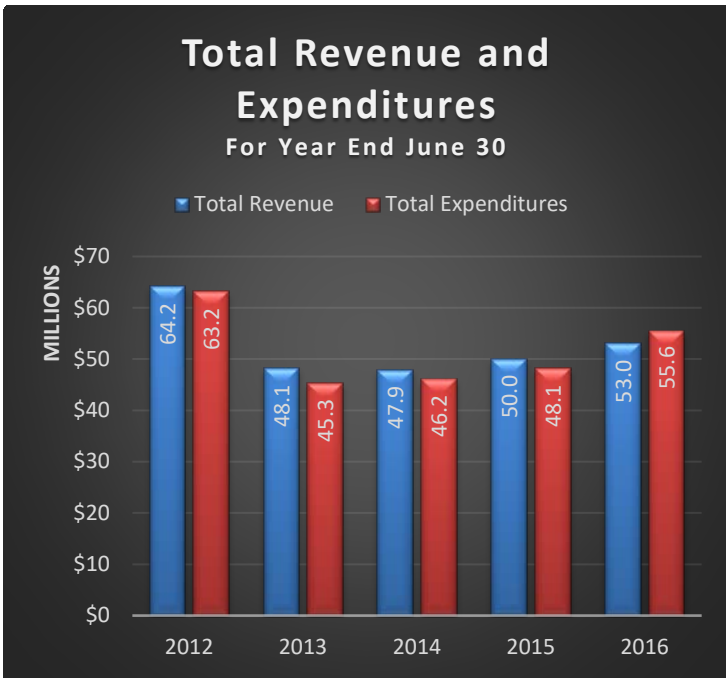


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

## Financial Information Continued





## Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA), 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.<sup>1</sup> These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding chart.<sup>2</sup> Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.<sup>3</sup>

### **What is a SPP score?**

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

PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.<sup>4</sup> PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

### **What is the 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.

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

<sup>2</sup> PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

<sup>3</sup> Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

<sup>4</sup> According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of 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.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.<sup>5</sup> The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

### **What is 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.

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

PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.<sup>6</sup>

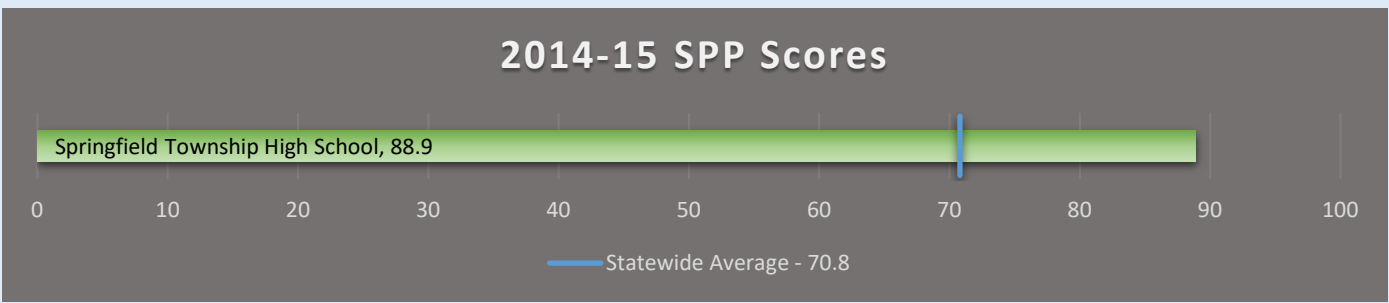
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<sup>5</sup> PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam. (Also, see footnote 4).

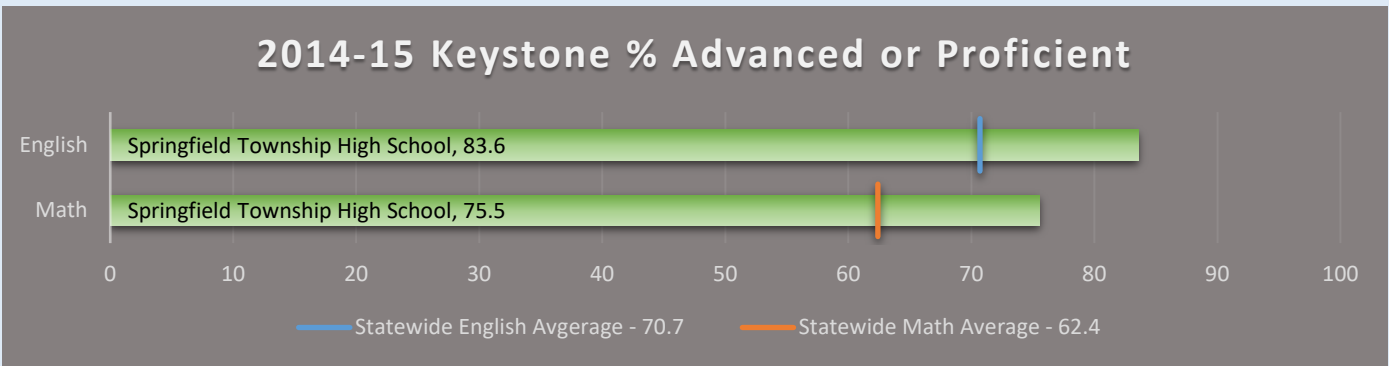
<sup>6</sup> PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

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

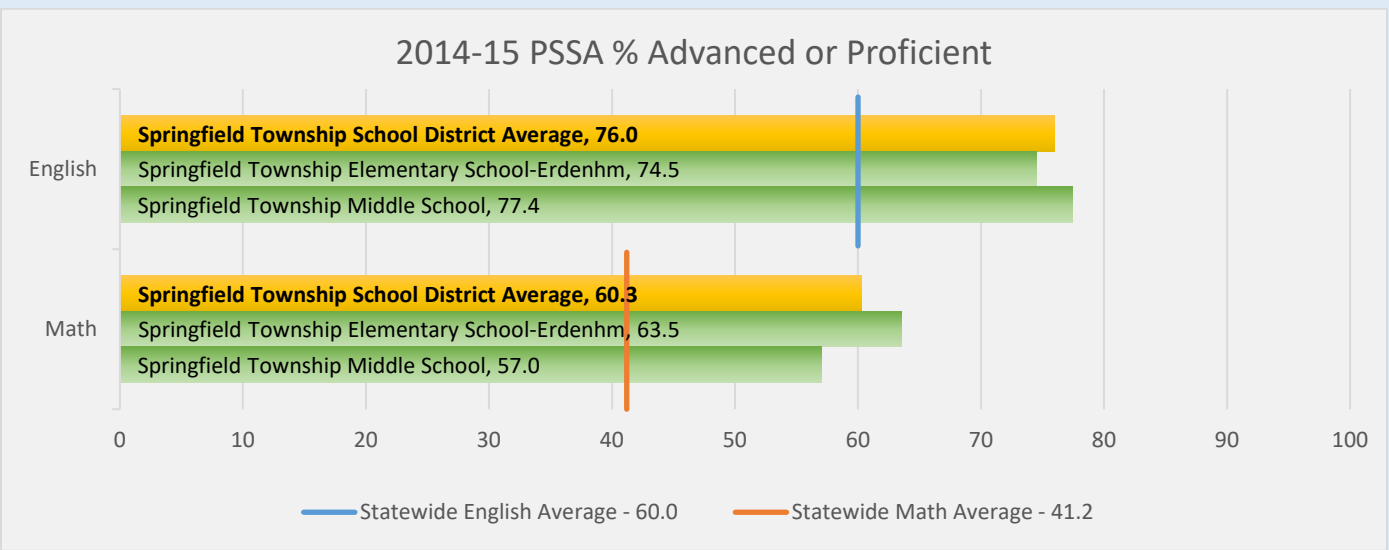
**2014-15 SPP Scores**



**2014-15 Keystone % Advanced or Proficient**

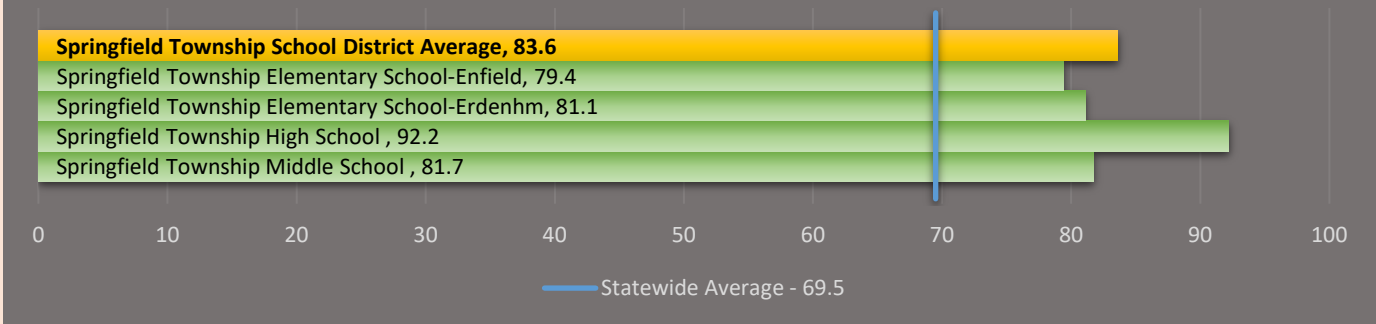


**2014-15 PSSA % Advanced or Proficient**

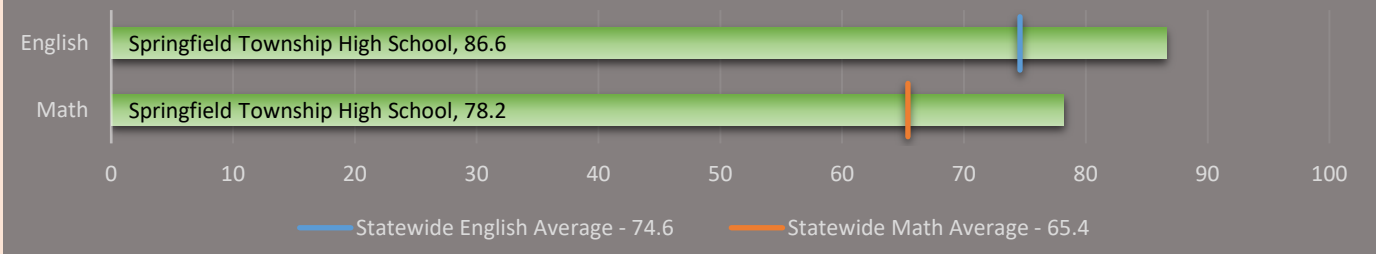


**2015-16 Academic Data**  
**School Scores Compared to Statewide Averages**

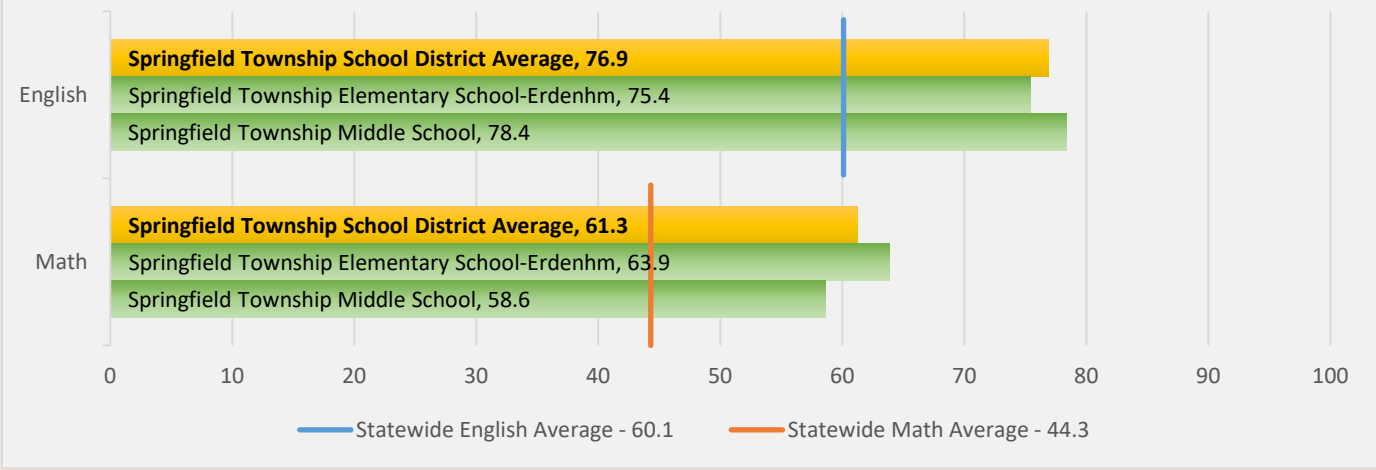
**2015-16 SPP Scores**



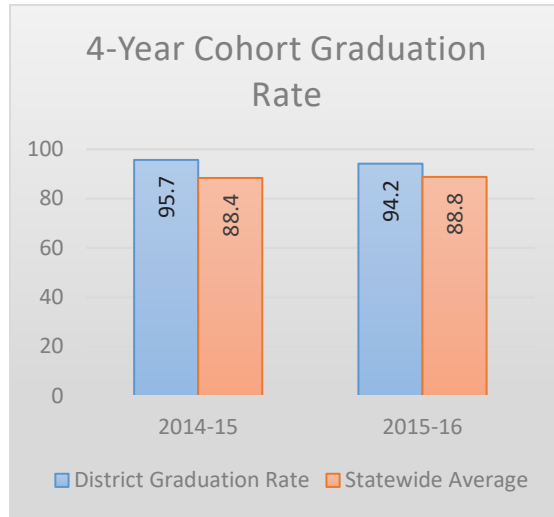
**2015-16 Keystone % Advanced or Proficient**



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



### 4-Year Cohort Graduation Rate



## Finding(s)

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### Finding No. 1

### The District Failed to Adequately Comply with the Terms of Its Joint Services Agreement with a Neighboring School District

*Criteria relevant to the finding:*

**Section 23.5 of the State Board of Education’s regulations provides as follows:**

§ 23.5. Shared use of the same vehicle. “If two or more school districts or administrative units share the same vehicle in providing pupil transportation, the basic annual allowance per vehicle shall be prorated to each district or administrative unit in accordance with annual pupil miles of service rendered to that individual district.”  
*See 22 Pa. Code § 23.5.*

**Joint Service Agreement, 3. Scope of Services**, states in part:

“The School District of Springfield Township shall be responsible to perform the following services . . .  
E. Such other services as the parties may agree including, but not limited to, completion of the Transportation PDE-2576 report and consultation regarding bus routes and routing software.”  
(Emphasis added)

In each year of the audit period, from the 2012-13 through 2015-16 school years, the Springfield Township School District (District) provided transportation services to a neighboring school district. The services were provided pursuant to a *Joint Services Agreement* (JSA) authorized annually by the two districts. Pursuant to the State Board of Education regulations<sup>7</sup> and the Pennsylvania Department of Education’s (PDE) shared service guidelines, when a vehicle is shared, the reimbursement associated with that vehicle is also shared. However, we found that the District failed to sufficiently comply with the terms of the JSA, the state regulations, and PDE’s guidelines, as follows:

1. In the 2015-16 school year, the District failed to bill the neighboring district for two months of costs associated with transportation services provided by a contracted transportation provider (a vendor of the District that provided transportation services separately from the District’s own fleet of vehicles and drivers). The total costs for the two months not billed were \$26,129.
2. The District insufficiently accounted for data used in the calculation of costs billed to the neighboring district for the transportation provided using district-owned vehicles, and the District’s own internal records did not reconcile. Therefore, we could not verify whether \$14,496 of the total \$83,186 billed to the neighboring district for these costs in the 2015-16 school year were appropriate and accurate.
3. The District did not provide adequate mileage information for each vehicle to its neighboring district. Without adequate mileage information, the neighboring district cannot accurately report transportation data to PDE for reimbursement.

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<sup>7</sup> See 22 Pa. Code § 23.5.

*Criteria relevant to the finding  
(continued):*

**Joint Services Agreement, 6. Compensation,** states:

“Subject to any revisions agreed to by the parties as set forth in any Amendments to this services agreement, the Upper Dublin SD (UDSD) agrees to pay the School District of Springfield Township (SDST) a flat fee for the use of SDST vehicles and consultation services to UDSD administration regarding the management of UDSD’s Transportation Department during the term of the agreement. In addition, UDSD agrees to reimburse SDST for actual labor costs including FICA, PSERS costs, the cost of fuel and other agreed upon costs or contracting for the entire term of the agreement. UDSD agrees to pay a 2% administrative fee on all such reimbursement invoices.”

## **Background**

Under the terms of the school year 2015-16 JSA, the agreement provides that the neighboring district “hereby seeks to delegate certain of its transportation functions to [the District]. The Parties intend to achieve greater cost efficiencies through shared transportation services.”<sup>8</sup> In exchange for the District providing transportation services, the neighboring district is obligated to pay the following:

- A flat fee of \$43,000.
- Costs for transportation services provided using District-owned vehicles to transport neighboring district students.
- Reimbursement of the costs paid by the District to a contracted service provider to transport neighboring district students.
- Fuel purchases made by the neighboring school district. (The District maintained fuel tanks on site, and the neighboring district also purchased fuel for its own vehicles from the District).

In addition, a two percent administrative fee was levied on all invoices from the District for all the different kinds of costs except for the flat fee. The District was also required to provide certain transportation data to the neighboring district for its end-of-year reporting to PDE.<sup>9</sup>

## **Failure to Submit Invoices**

For the four-year audit period, we reviewed invoices to the neighboring school district for reimbursement of costs paid to a contracted transportation service provider. We found that, in the 2015-16 school year, the District did not submit invoices to the neighboring district for two months, totaling \$26,129, for costs it already paid to the contracted transportation provider on behalf of the neighboring district.

After we brought this to the attention of District officials, they concurred with our conclusion and on January 9, 2018, sent the neighboring district an invoice for \$26,129 in addition to the agreed upon two percent administrative fees.

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<sup>8</sup> Joint Services Agreement between the Upper Dublin School District and the Springfield Township School District, June 1, 2015, Statement No. 2, “Purpose and Objective,” page 1.

<sup>9</sup> Ibid. Statement No. 6, “Compensation,” page 2.

As of January 31, 2018, the date our audit fieldwork was completed, the District had not received payment.<sup>10</sup> Timely billing is important to ensure not only compliance with the terms of the JSA but also to optimize collectability.

### **Insufficient Accounting for Data**

We also reviewed the records supporting the cost of transportation services provided to the neighboring district on District-owned vehicles. This includes information on the *Joint Services Agreement Billings*, a record that is maintained by the District's transportation department. We compared this record to a *Cost of Service* record, which is included in the invoice provided to the neighboring district in its once per year invoice for these services. We found discrepancies between the two records. For the 2015-16 school year, the District billed and received from the neighboring district a total of \$83,186 for the cost of transporting students on District-owned vehicles. The District computed this amount based on the extra labor costs incurred for transporting the neighboring district's students. One of the relevant labor cost components was driver time.

For 2 of the 12 vehicles, we found discrepancies between the amount of driver time used to calculate the extra labor costs. Therefore, according to our calculations, we could not determine if \$14,496 of the \$83,186 in costs were accurately billed to the neighboring district. The District's administration agreed that these documents were inconsistent but could not determine which document contained the accurate information.<sup>11</sup> Timely reconciliation of the records and a corresponding attested review likely would have caught the discrepancy and allowed the District to make corrections, if necessary.

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<sup>10</sup> At our audit review conference with the District on April 10, 2018, the District noted it received payment in the amount of \$26,652 on March 27, 2018, which included the \$26,129 and the two percent administrative fee allowed under the Joint Services Agreement. Confirmation of this payment will be verified during our next audit of the District.

<sup>11</sup> At our audit review conference with the District on April 10, 2018, the District noted it obtained additional documentation and determined that it overbilled its neighboring district by \$14,496. According to the management reply for this finding, the District intends to return the money. Confirmation of this documentation and payment will be verified during our next audit of the District.



## **Insufficient Data Provided to Neighboring District for Its Required Reporting to PDE**

We also reviewed the *Joint Services Agreement Billings*, a record that the District provides to its neighboring district with information for year-end reporting to PDE. All of the vehicles listed on this document provide transportation services to both districts. This record, however, was incomplete because it only contained one set of mileage numbers (miles with students and miles without students) for each vehicle. Since all of these vehicles are shared, the District should be recording odometer readings that would allow both the District *and* the neighboring district to properly calculate sample averages for mileage. These odometer readings should then be shared with the neighboring district. With only one set of mileage numbers provided and no odometer readings, there was no way for the neighboring district to evaluate the accuracy of those numbers. Odometer readings are required by PDE for calculations that are part of its required reporting to PDE.<sup>12</sup>

### **Conclusion**

While it is commendable that the District and its neighboring school district have agreed to share certain transportation services in an effort to achieve cost efficiencies, it is important for the District to maintain sufficient accounting records and to provide timely and accurate invoices to the neighboring district. As part of its accounting for the transportation services it provides to the neighboring district, the District should develop written, standardized accounting procedures and institute a timely review and approval process.

### **Recommendations**

The *Springfield Township School District* should:

1. Ensure that the \$26,129 recently billed under the school year 2015-16 JSA is collected.
2. Develop standard, written procedures to ensure that all monies due under JSA are timely billed and received.

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<sup>12</sup> Because these vehicles are shared between the two districts, the monthly mileage numbers must be determined for each district in accordance with PDE's shared service guidelines. Shared service guidelines require that vehicle mileage for each district be computed as if only its students were transported on the vehicle. Practically, this means that odometer readings must show when each district's students get on and off each vehicle.

3. Provide accurate and sufficient monthly mileage information, including odometer readings, to its neighboring district for each vehicle used to provide service under the JSA. Shared service guidelines must be followed where appropriate.
4. Develop standard, written procedures to timely reconcile the *Cost of Service* worksheet for district-owned vehicles to the *JSA Billings* document showing year-end reporting information.

### **Management Response**

Management stated the following.

The District will implement the following recommendations as provided by the state auditors:

#### Recommendation #1

- Ensure that the \$26,129 recently billed under the 2015-16 Joint Services Agreement is collected.

#### District Response

The District has sent an invoice to UDSD for what is owed. SDST's Business Administrator has contacted UDSD's Business Administrator to discuss the invoice and the best way to reconcile it since it is a two year old invoice for UDSD to pay. As of today, April 10, 2018, the invoice has been paid by UDSD.

#### Recommendation #2

- Develop standard, written procedures to ensure that all monies due under the Joint Services Agreement are timely billed and received.

#### District Response

The Business Department will be setting up a receivable account for these invoices so that we can track invoices being sent and payments received more efficiently. We will also be writing the procedures down so that they are documented. We will be matching invoices paid to invoices being sent to UDSD as another internal check to make sure we have sent all invoices to UDSD for the year.

### Recommendation #3

- Provide accurate and sufficient monthly mileage information, including odometer readings, to its neighboring district for each vehicle used to provide service under the Joint Services Agreement. Shared service guidelines must be followed where appropriate.

### District Response

The Business Department in coordination with the Transportation Department will require bus drivers, who are assigned routes that are shared, to submit monthly mileage/odometer reporting to the Transportation Director. The Transportation Director will then review this information and keep it in a binder by month for reporting that needs to be done throughout the school year. The Transportation Department will also send copies of these reports to UDSD on a monthly basis. Our Transportation Manager will be attending a PASBO transportation workshop in May, which will help better address this issue moving forward.

### Recommendation #4

- Develop standard, written procedures to timely reconcile the Cost of Service worksheet for District-owned vehicles to the Joint Services Agreement Billings document showing year-end reporting information.

### District Response

The Business Department will work closely with the Transportation Department to ensure that Cost of Service worksheet is accurate and UDSD is billed appropriately. We will bill quarterly on a monthly basis. During the 2015-16 school year, the District did overcharge UDSD for Cost of Service and we will be reimbursing them with a check in the amount of \$14,495.82 on April 13, 2018.

### **Auditor Conclusion**

We are pleased the District is taking steps to ensure that it complies with the provisions of its JSA with its neighboring district. Furthermore, the collection of the overdue bill and intentions to return the \$14,496, which it overbilled a neighboring district, will be verified during the next audit of the District. We will also evaluate the effectiveness of these procedures and any other corrective action implemented by the District during our next audit.

## Finding No. 2

## The District Failed to Retain Required Transportation Documentation to Support the More Than \$730,000 in State Funding It Received

### *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 of the PSC (relating to Payments on account of pupil transportation) 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).

#### **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.

The District did not comply with the record retention provisions of the PSC when it failed to retain sufficient and accurate documentation to support its transportation reimbursements received for the 2012-13 through 2015-16 school years. Without proper documentation for the District's owned and contracted transportation services, we were unable to determine the accuracy and appropriateness of the transportation reimbursement received. It is *absolutely essential* that records related to the District's transportation reimbursement be retained for the required time period in compliance with the PSC and that the records be readily available for audit.

### **Background**

The District relied primarily on District-owned vehicles to transport students during the 2012-13 through 2015-16 school years. During the 2015-16 school year, 57 of 67 vehicles used by the District to transport students were district-owned. The remaining 10 vehicles were contractor owned.

Additionally, the District transported students from a neighboring district under the terms of a JSA. You can read more about this agreement and the issues we found with this agreement in Finding No. 1. When a vehicle is shared, the reimbursement associated with that vehicle is also shared.

The combination of using both District and contractor owned vehicles to transport students and transporting a neighboring district's students required diligent record keeping to ensure that accurate information was available and accurately reported to PDE.

*Criteria relevant to the finding  
(continued):*

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, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphasis added.) Ibid.

#### **Transportation Contract**

Section 23.4(7) of the State Board of Education’s regulations states that the board of directors of a school district is responsible for all aspects of pupil transportation programs, including the “negotiation and execution of contracts or agreements with contractors, drivers of district’s vehicles and common carriers and submission of pertinent documents to the Department for approval of operations.” See 22 Pa. Code § 23.4(7).

#### **Board Policy 616**

Board Policy 616 states, in part: “It shall be the responsibility of the Business Administrator or designee upon receipt of an invoice to verify that the purchase invoice is in order, goods were received in acceptable condition or services were satisfactorily rendered, funds are available to cover the payment, the Board had budgeted for the items, and invoice is for the amount contracted.” (Emphasis added.)

#### **Record Retention Requirement**

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

## **Transportation Reimbursement**

Student 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:

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

Districts use the components above to compute a sample average that is reported to PDE. The averaging process also provides a method for translating an entire year’s worth of mileage and number of students transported into one number for each component based on the number of days traveled. Therefore, it is essential for districts to document, verify, and retain odometer readings, student rosters, and the number of day’s vehicles transported students. PDE provides instructions to help districts report this information accurately. Some of these instructions are cited in our criteria box to the left of this finding.

We found that the District failed to maintain sufficient documentation of these vital transportation components for the four years reviewed. While the District had some documentation available, it did not retain **all** the components needed to verify the accuracy of the data reported to PDE. Therefore, we could not determine if the reported data was accurate, and furthermore, could not determine if the reimbursement received was accurate.

*Criteria relevant to the finding (continued):*

**Form Completion Instruction – PDE-1049 Transportation Services Forms**

Pupils Assigned

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

Daily Miles With

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

Daily Miles Without

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

Table 1 below shows the student and vehicles data reported to PDE and the total reimbursement received for each school year.

**Table 1**

<b>Springfield Township School District Transportation Data Reported to PDE</b>			
School Year	Reported Number of Students Transported	Reported Number of Vehicles Used	Total Reimbursement Received
2012-13	3,080	68	\$171,478
2013-14	2,832	63	\$186,414
2014-15	2,788	65	\$177,492
2015-16	2,799	67	\$197,223
<b>Totals</b>	<b>11,499</b>	<b>263</b>	<b>\$732,607</b>

**District Owned Transportation Service**

The District failed to provide documentation to verify the sample averages for District-owned vehicles submitted to PDE for the 2012-13 through 2015-16 school years. The District did retain odometer readings to support mileage traveled for District vehicles. However, the District failed to retain support for the number of students transported and the total days transported.

When we asked the District for student rosters to support the number of students transported, District officials stated that they didn't retain rosters for the years in question and were unable to access the information electronically due to changing transportation software.

Additionally, the District failed to accurately determine the days each vehicle was used to transport students. District vehicles transported students to District schools as well as multiple nonpublic schools each day. District and nonpublic schools often have different school calendars, and in turn, are not open on the same days. Therefore, the District must determine total days for each vehicle based on a comparison of school calendars for **every** school the vehicle services. The District did not compare all the relevant school calendars simultaneously, and subsequently, may not have calculated and reported total days accurately. This was acknowledged by the District administration.

*Criteria relevant to the finding  
(continued):*

Number of Days

Report the number of days (a whole number) this vehicle provided to and from school transportation. Count any part of a day as one day. Depending upon the service the vehicle provided, this number could exceed or be less than the number of days the district was in session; however, summer school or “Extended School Year” (Armstrong v. Kline) transportation may not be included in this number. “Early Intervention” program transportation may be included. If the district received a waiver of instructional days due to a natural or other disaster (such as a hurricane), the waiver does not extend to transportation services. Only days on which transportation was actually provided may be reported.

Shared Service

If a vehicle’s service was shared with another school district, intermediate unit, or AVTS, each LEA reports vehicle information and the “Pupils Assigned,” “Daily Miles With,” “Daily Miles Without,” and “Number of Days” as *if only its students were served* by the vehicle.

Furthermore, several District-owned vehicles are shared with a neighboring district under the terms of a JSA, meaning that students from both districts ride the same vehicle to and from school. When a vehicle transports students from multiple districts, the reimbursement associated with that vehicle is also shared. PDE requires that mileage be computed for each district separately, as if each district’s students were the only students riding on the vehicle. Therefore, odometer readings must show when students from each district got on and off the vehicle. The documentation the District provided for vehicles that transported students for both districts did not identify the mileage when students from each district got on and off each vehicle and, therefore, was not sufficiently detailed to determine if reimbursement received for these vehicles was correct.

**District Contracted Transportation Service**

During the 2012-13 through 2015-16 school years, the District used two transportation contractors to transport students.<sup>13</sup> We found that the District did not have a written contract with its primary contractor. Without a written contract, the District paid and continues to pay for services without an established agreed upon fee structure. We found that the District paid the amount invoiced, which historically has been a rate per one way trip. In addition to a fee schedule, a contract would include such provisions as: the quality of vehicles used to transport students, service agreements, and insurance matters, as well as other contractual obligations as deemed necessary.

Additionally, the District failed to provide documentation to verify the accuracy of mileage, students transported, or total number of days students were transported. Both contractors simply provided a document with mileage figures and student counts for the District to report to PDE. The District failed to obtain odometer readings and student rosters to complete sample averages.

Furthermore, we reviewed invoices from the secondary contractor. These invoices stated the number of days billed and the number of students transported. The total number of days billed and number of students transported should

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<sup>13</sup> For the 2015-16 school year, the primary contractor provided 9 out of 10 contracted vehicles. The secondary contractor provided the remaining vehicle. Contracted service totaled 10 out of 67 vehicles used to transport District students.

have agreed with what was reported. The total number of days and students did not agree. District officials noted that there is currently no process to reconcile invoices to transportation data and acknowledged that the documentation received from contractors is insufficient to ensure accurate reporting to PDE.

Several of the vehicles used by the primary contractor were also shared with a neighboring school district. The document provided by the contractor showing mileage information gives no indication that mileage for the shared vehicles was determined in accordance with PDE's shared service guidance. There were no odometer readings provided or any other information about when students from each district got on or off each vehicle. This information is necessary to accurately determine miles with and miles without students for each district using the shared vehicle.

### **Conclusion**

As previously stated, the PSC requires that financial records that support the transportation reimbursement received by the District be retained for a period of not less than six years. We found that the District did not comply with the PSC's record retention requirements. Additionally, the District failed in its fiduciary duty to taxpayers by not retaining this information. Without this documentation, we could not determine if the amount of reimbursement received was accurate and appropriate. Transportation expenses and the subsequent transportation reimbursement are significant factors that can impact the District's overall financial position. Therefore, it is in the best interest of the District to ensure compliance with the PSC so it does not potentially jeopardize future reimbursements.

After review of the District's transportation operations, it is evident that the District did not appear to be familiar with the regulations regarding transportation data reporting. In addition, the District failed to adequately monitor its transportation contractors.



## Recommendations

The *Springfield Township School District* should:

1. Enter into a written, signed and Board approved agreement for transportation services with its primary transportation contractor.
2. Compute and retain sample average calculations for all district-owned and contracted vehicles used to transport students and report to PDE.
3. Ensure that mileage is being recorded separately for all District and neighboring school district students who are transported by the same vehicle.
4. Implement procedures to have a District official, other than the person who prepares the data, review, and compare transportation data to supporting documentation throughout the school year and prior to submission to PDE.

## Management Response

Management stated the following.

The District will implement the following recommendations as provided by the state auditors:

### Recommendation #1

- Enter into a written, signed and Board approved agreement for transportation services with its primary transportation contractor.

### District Response

The District will make every effort to acquire a contract from [its primary contractor] to be Board approved prior to the end of the 2017-18 school year. Moving forward, contracts will be required from the vendor to be Board approved prior to use.

### Recommendation #2

- Compute and retain sample average calculations for all District owned and contracted vehicles used to transport students and reported to PDE.

#### District Response

Currently, the District is in the process of keeping track of this information via invoices received from our transportation service contractors and by using our transportation software system to keep track of student rosters. The Transportation Department will ensure that contractors are submitting accurate mileage and student ridership reports on a monthly basis. Moving forward, the above procedures will be implemented and followed.

#### Recommendation #3

- Ensure that mileage is being recorded separately for all District and neighboring school district students who are transported by the same vehicle.

#### District Response

The District will be implementing a tracking procedure, which will require bus drivers (assigned shared service bus routes) to submit mileage sheets on a monthly basis to the Transportation Director. This will allow us to separate mileage being recorded for SDST and that of UDSD. This task will be managed by the Transportation Department. Our Transportation Manager will be attending a PASBO Transportation Workshop in May, which will help better address the above issue. Moving forward, the above procedures will be implemented and followed.

#### Recommendation #4

- Implement procedures to have a District official, other than the person who prepares the data, review and compare transportation data to supporting documentation throughout the school year and prior to submission to PDE.

#### District Response

After the PDE-1049 form is complete, the Transportation Department will be required to send the report with all of its corresponding backup to the Business Department for final review. After the Business Department has had time to vet the data, the report will then be forwarded to the Superintendent for review and then submitted to PDE. Moving forward, the above procedures will be implemented and followed.

### **Auditor Conclusion**

We are pleased that the District is taking steps to ensure the accuracy of the transportation data it reports to PDE. We will evaluate the effectiveness of these procedures and any other corrective action implemented by the District during our next audit.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Springfield Township School District (District) released on May 22, 2014, resulted in one finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

### Auditor General Performance Audit Report Released on May 22, 2014

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**Prior Finding:**                      **Failure to Withhold Income Taxes From Taxable Income**

Prior Finding Summary: During our prior audit of the District's former Superintendent's employment contracts, agreements, and payroll records, we found that the District neglected to report taxable income of \$23,359 on the former Superintendent's Internal Revenue Service (IRS) *Form W-2 Wage and Tax Statement* (Form W-2) for the 2010, 2011, and 2012 calendar years.

Prior Recommendations: We recommended that the District should:

1. Report on IRS *Form W-2 Wage and Tax Statement* all wages subject to federal, state, and local taxes in accordance with all applicable tax regulations.
2. Implement procedures to review and confirm all compensation deemed reportable to ensure that eligible wages are being reported for tax purposes.

Current Status: The District did implement our prior recommendations. On May 8, 2013, the District sent the former Superintendent three *W-2 Corrected Wage and Tax Statement* forms for the 2010, 2011, and 2012 calendar years, making adjustments of \$7,275, \$10,172, and \$5,912, respectively, for a total of \$23,359. Also, beginning with calendar year 2014, the District implemented internal review procedures. These procedures require a review of all W-2 forms for accuracy prior to providing the forms to employees and the IRS.

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

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>14</sup> is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

### **Scope**

Overall, our audit covered the period July 1, 2012, through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Springfield Township School District's (District) management is responsible for establishing and maintaining effective internal controls<sup>15</sup> to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). 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.

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<sup>14</sup> 72 P.S. §§ 402 and 403.

<sup>15</sup> Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 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
- ✓ Contracting
- ✓ 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?<sup>16</sup>
  - To address this objective, we interviewed District personnel to get an understanding of District's procedures for obtaining and reporting transportation data to PDE. Additionally, we randomly selected 6 of 67 vehicles used to transport District students during the 2015-16 school year. We were unable to review District calculations for mileage, student counts, and days in service for each vehicle in the test group due to the District failing to retain adequate documentation. Further discussion with District officials and inspection of documents revealed that the District failed to retain adequate documentation for the 2012-13 through 2014-15 school years. The errors we identified can be found in Finding No. 2 of this report.
  - We also reviewed a Joint Services Agreement (JSA) between the District and its neighboring district regarding transportation operations that was in existence for the 2012-13 through 2015-16 school years. We interviewed District personnel to get an understanding of the services provided under the JSA and what information was provided to the neighboring school district. We then reviewed all invoices that existed for the 2012-13 through 2015-16 school years to determine if amounts were appropriately billed and collected in accordance with the agreement. The errors we identified can be found in Finding No. 1 of this report.

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<sup>16</sup> See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- ✓ Did the District ensure that its significant contracts were current and were properly obtained, approved, executed, and monitored?
  - To address this objective, we reviewed the District’s procurement and contract monitoring policies and procedures. We obtained a list of contracts for the 2015-16 school year. We judgmentally selected 4 out of 20 contracts for detailed testing based on the dollar value of the contract. Testing included a review of documents to determine if the contract was procured in accordance with the Public School Code and District policies. We also reviewed documents and interviewed District personnel to determine if the District monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board of School Directors’ Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issues.<sup>17</sup>
  
- ✓ 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?<sup>18</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - To address this objective, we randomly selected 7 of the 68 bus drivers employed by both the District and District bus contractors, during the period from July 1, 2012, through November 14, 2017, and 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 ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.<sup>19</sup>
  
- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>20</sup>
  - To address this objective, we interviewed District personnel and reviewed a variety of documentation including, but not limited to, emergency plans, training documents, and anti-bullying policies to assess whether the District had implemented basic safety practices. 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, if deemed necessary other appropriate agencies.

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<sup>17</sup> The transactions selected were selected because we considered them to have a higher risk of non-compliance. Therefore, the selection is not representative of the population of District contracts, and the results should not be projected to that population.

<sup>18</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

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

<sup>20</sup> 24 P.S. § 13-1301-A *et seq.*

## **Distribution List**

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

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

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

**The Honorable Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

**Dr. David Wazeter**

Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

**Mr. Nathan Mains**

Executive Director  
Pennsylvania School Boards Association  
400 Bent Creek Boulevard  
Mechanicsburg, PA 17050

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