

PERFORMANCE AUDIT

Wilkinsburg Borough School District Allegheny County, Pennsylvania

February 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Linda Iverson, Superintendent
Wilkinsburg Borough School District
718 Wallace Avenue
Wilkinsburg, Pennsylvania 15221

Ms. LaTonya G. Washington, Board President
Wilkinsburg Borough School District
718 Wallace Avenue
Wilkinsburg, Pennsylvania 15221

Dear Dr. Iverson and Ms. Washington:

Our performance audit of the Wilkinsburg Borough School District (District) evaluated the application of best practices in the areas of finance and school safety. In addition, during this audit, we determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2013 through June 30, 2017, except as otherwise indicated in the audit scope, objective, and methodology section of the report. The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A portion of the results of our review of school safety can be found in the fourth finding in this report. Due to the sensitive nature of the safe school review, the full results of our review are confidential. However, we communicated the full results of our school safety review with appropriate District personnel, the Pennsylvania Department of Education, and other appropriate agencies deemed necessary.

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our four findings. A summary of the results is presented in the Executive Summary section of the audit report.

Dr. Linda Iverson
Ms. LaTonya G. Washington
Page 2

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

Sincerely,



Eugene A. DePasquale
Auditor General

January 31, 2019

cc: **WILKINSBURG BOROUGH SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Background Information	3
Findings	11
Finding No. 1 – A Cumulative Operating Deficit Reduced the District’s General Fund Balance to Negative \$2.4 Million as of June 30, 2017	11
Finding No. 2 – The District Failed to Retain Required Documentation to Support the More Than \$1.5 Million in Transportation Reimbursements	19
Finding No. 3 – The District Failed to Retain Required Documentation to Support the Over \$173,000 Received in Commonwealth-Paid Tuition for Educating Nonresident Students	25
Finding No. 4 – The District Failed to Adequately Maintain Its Required Safety Plan and Comply with Bullying Prevention Requirements	28
Status of Prior Audit Findings and Observations	36
Appendix: Audit Scope, Objectives, and Methodology	40
Distribution List	44

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wilkesburg Borough School District (District). Our audit sought to answer certain questions regarding the District's application of best practices, the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures, and the status of the District's corrective action taken in response to our prior audit recommendations.

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

Audit Conclusion and Results

Our audit found significant noncompliance with best practices and certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the four audit findings within this report.

Finding No. 1: A Cumulative Operating Deficit Reduced the District's General Fund Balance to Negative \$2.4 Million as of June 30, 2017.

Our review of the District's financial position over a four-year period showed that the District's General Fund balance decreased at an alarming rate of more than

138 percent. At the beginning of our audit period, on July 1, 2013, the District's General Fund balance was negative **\$1,019,414**. Due to multiple operating deficits during the four years of our review, the District's General Fund balance decreased to negative **\$2,456,278** on June 30, 2016, before increasing slightly to a negative **\$2,426,887** as of June 30, 2017. (See page 11).

Finding No. 2: The District Failed to Retain Required Documentation to Support the More Than \$1.5 Million in Transportation Reimbursement.

The District did not comply with the record retention provisions of the Public School Code (PSC) when it failed to retain adequate source documents to verify over \$1.5 million in transportation reimbursements from the Pennsylvania Department of Education for the 2013-14 through 2016-17 school years. (See page 19).

Finding No. 3: The District Failed to Retain Required Documentation to Support the Over \$173,000 Received in Commonwealth-Paid Tuition for Educating Nonresident Students.

The District did not comply with the record retention provisions of the PSC and the State Board of Education's regulations when it failed to retain adequate support documents to verify \$173,200 in Commonwealth-paid tuition for educating nonresident students during the 2013-14 through 2015-16 school years. Without proper documentation, we were unable to verify the accuracy of the District's reporting of nonresident students and the Commonwealth-paid tuition

received for the 2013-14, 2014-15, and 2015-16 school years. (See page 25).

Finding No. 4: The District Failed to Adequately Maintain Its Required Safety Plan and Comply with Bullying Prevention Requirements.

The District failed to adequately maintain its safety plan as required by the Emergency Management Services Code and comply with certain bullying prevention provisions of the “Safe Schools Act.” (See page 28).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations, we found that the District did implement our prior audit recommendations pertaining to the lack of sufficient internal controls over student data. (See page 36). With regard to the recommendations made in the finding pertaining to the District’s failure to develop a Memorandum of Understanding with local law enforcement agencies, the District implemented all but one recommendation. (See page 37). The District did implement our recommendations addressing the failure to have all school bus drivers’ qualifications on file. (See page 38).

Additionally, although we found the District implemented most of the recommendations (see page 38) made in the observation addressing the District’s fiscal health, the District is operating with a deficit fund balance and is still experiencing financial challenges. (See Finding No. 1 on page 11 in this report).

Background Information

School Characteristics 2017-18 School Year ^A	
County	Allegheny
Total Square Miles	2.2
Number of School Buildings	2 ¹
Total Teachers	68
Total Full or Part-Time Support Staff	27
Total Administrators	12
Total Enrollment for Most Recent School Year	735 ^B
Intermediate Unit Number	3
District Vo-Tech School	Forbes Road East

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

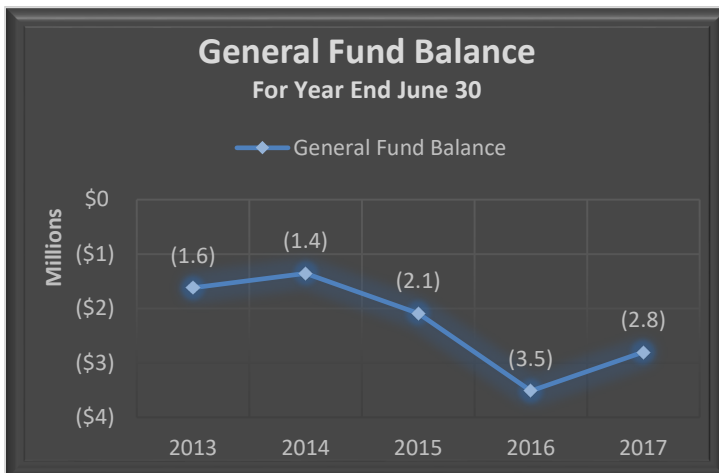
B – This enrollment total includes 210 high school students that are Wilkinsburg residents attending Pittsburgh Public Schools.

Mission Statement^A

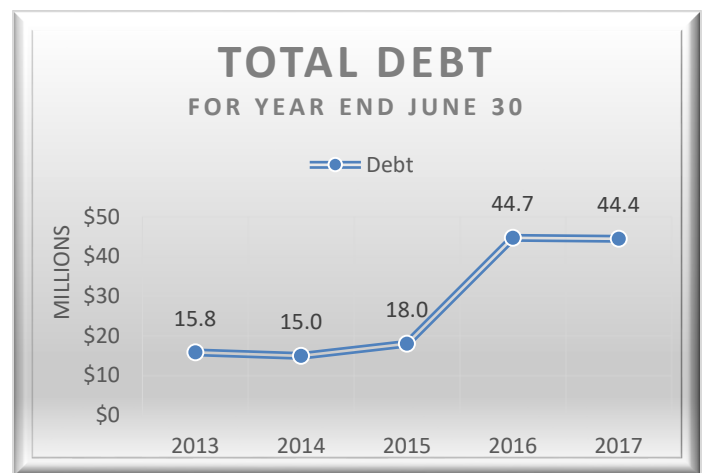
To promote academic excellence and to enhance physical, intellectual, socio-emotional and cultural growth in all students. The Wilkinsburg School District is a small, urban public school district serving the Pittsburgh suburb of Wilkinsburg, Pennsylvania.

Financial Information

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



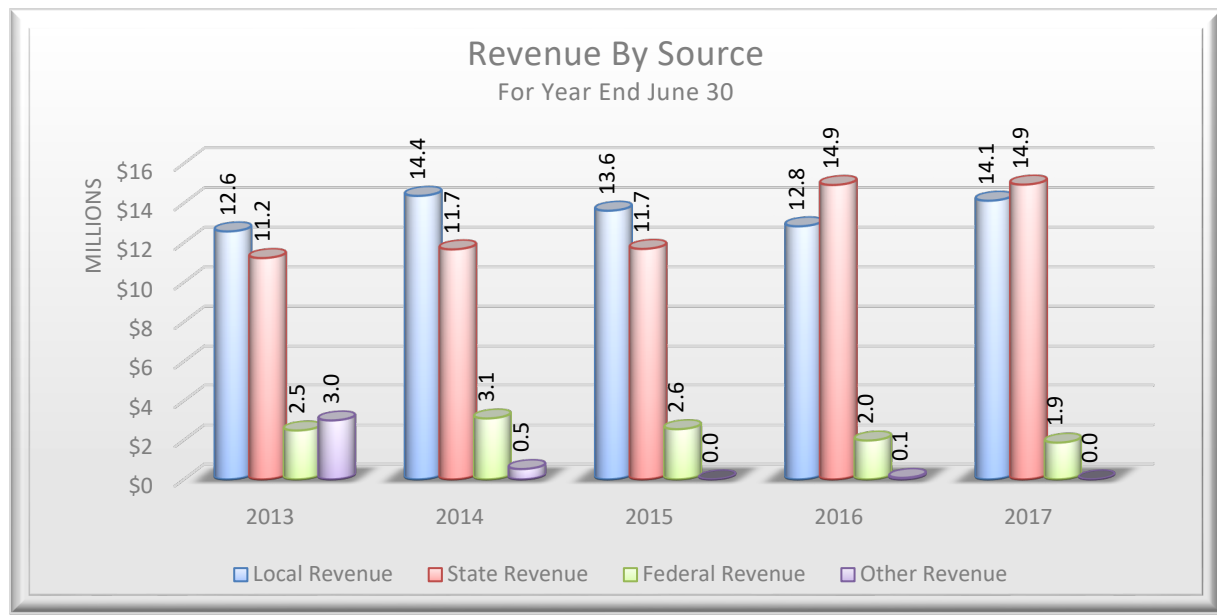
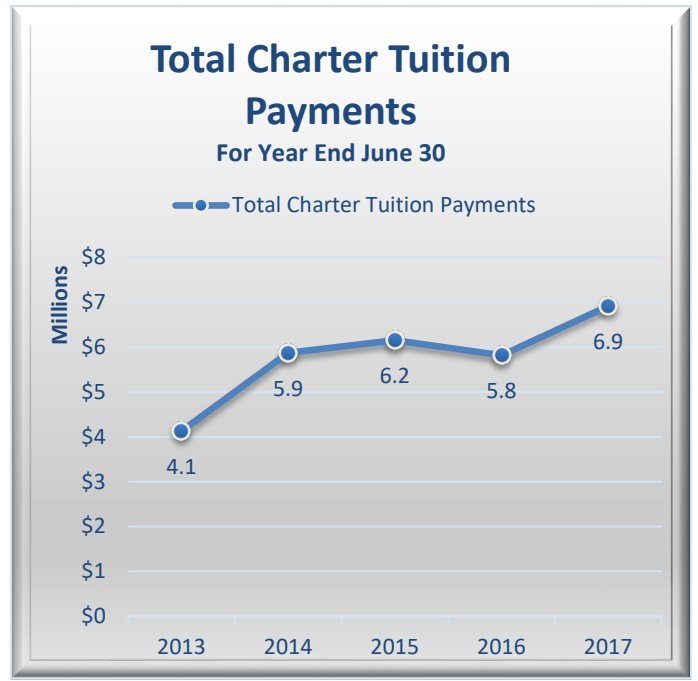
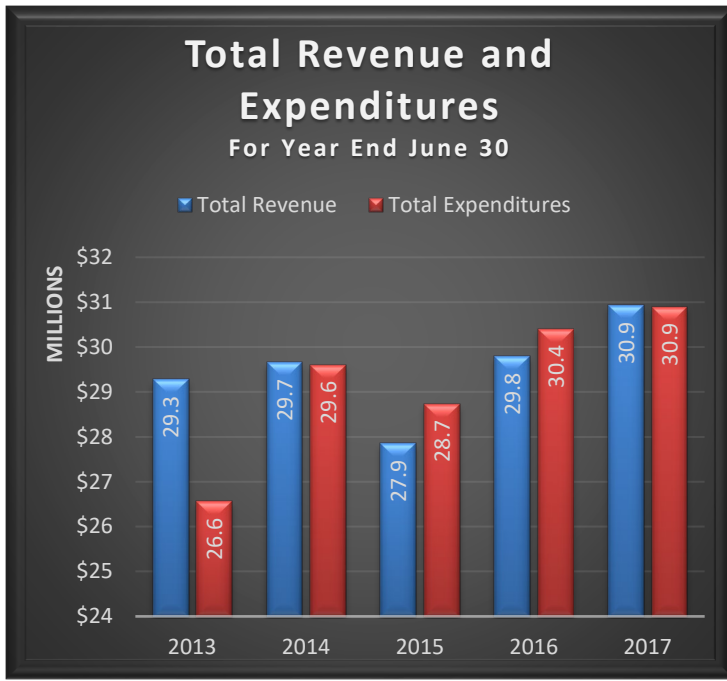
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

¹ The District currently operates two elementary buildings after discontinuing its secondary educational program prior to the 2016-17 school year.

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from the PDE's data files for the 2014-15, 2015-16 and 2016-17 school years.² These scores are provided in the District's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.³ Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.⁴

What is a SPP score?

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

The PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, the PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.⁵ The PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.⁶ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

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

³ The 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 the PDE's website for general information regarding the issuance of academic scores.

⁴ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

⁵ According to the PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with PA Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

⁶ Act 39 of 2018, effective July 1, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement for an additional year until the 2020-21 school year. *See* 24 P.S. § 1-121(b)(1).

What is the PSSA?

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

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁷ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

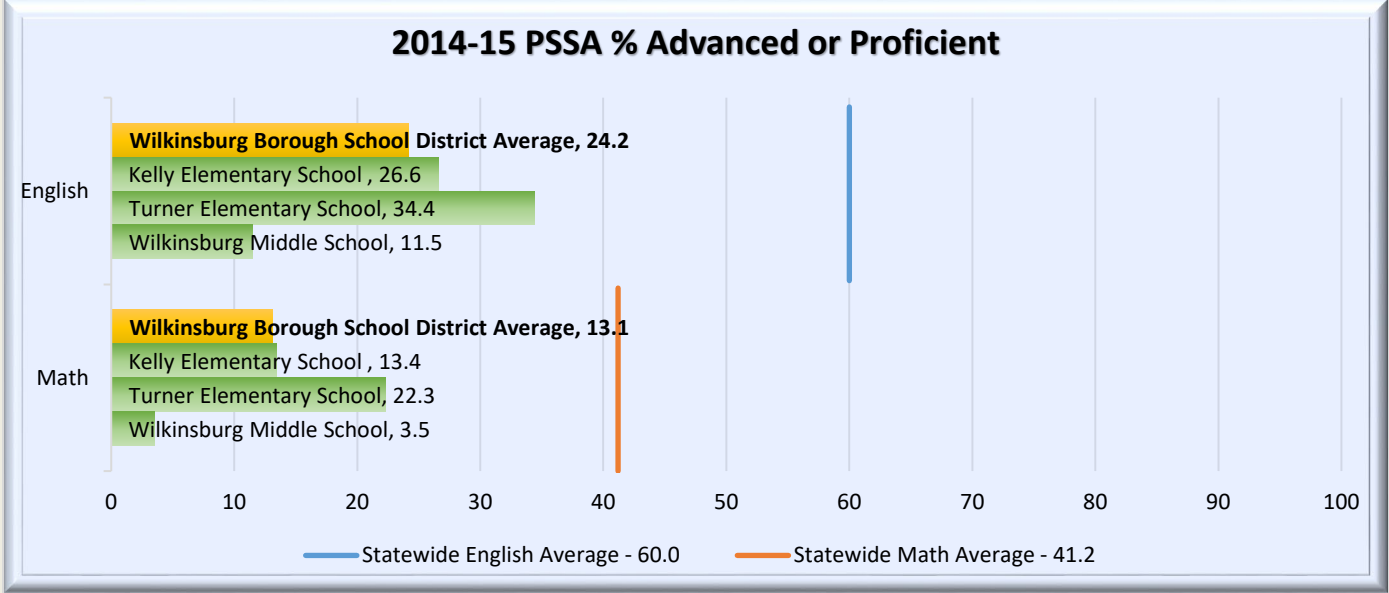
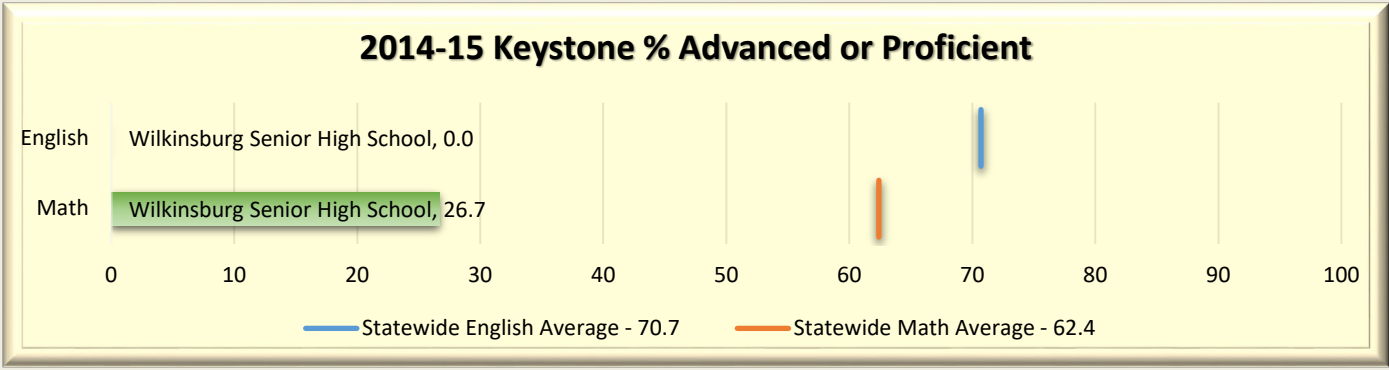
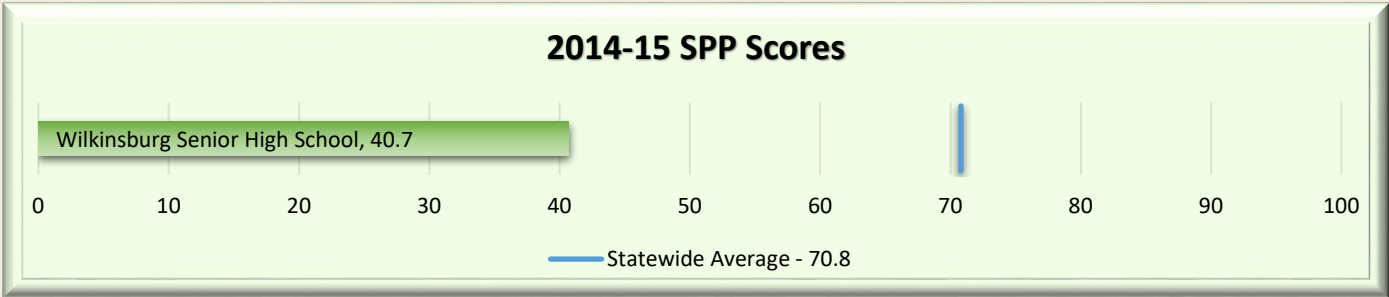
What is a 4-Year Cohort Graduation Rate?

The 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.⁸

⁷ The 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.

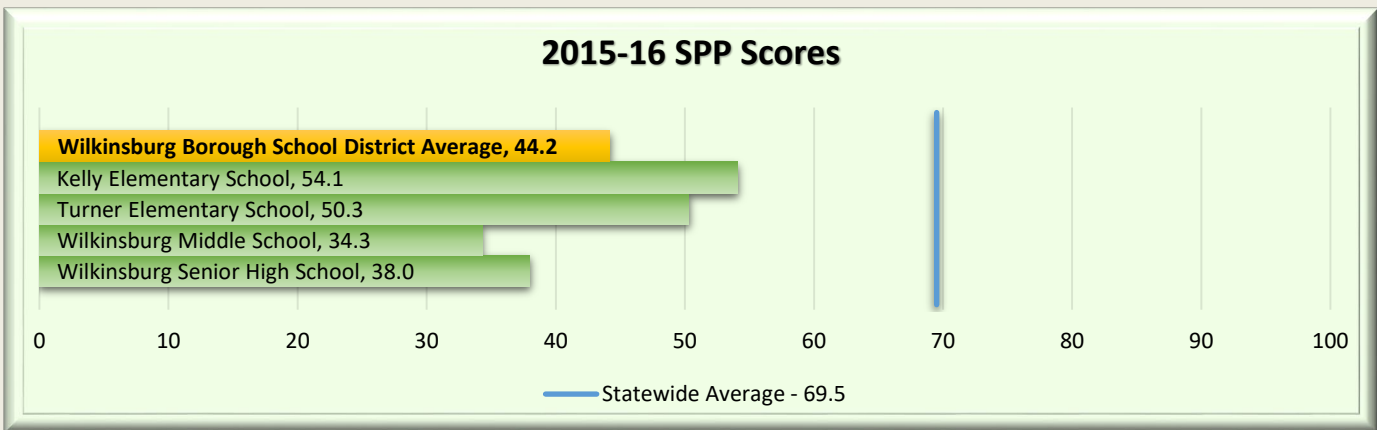
⁸ The PDE also calculates 5-year and 6-year cohort graduation rates. Please visit the PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

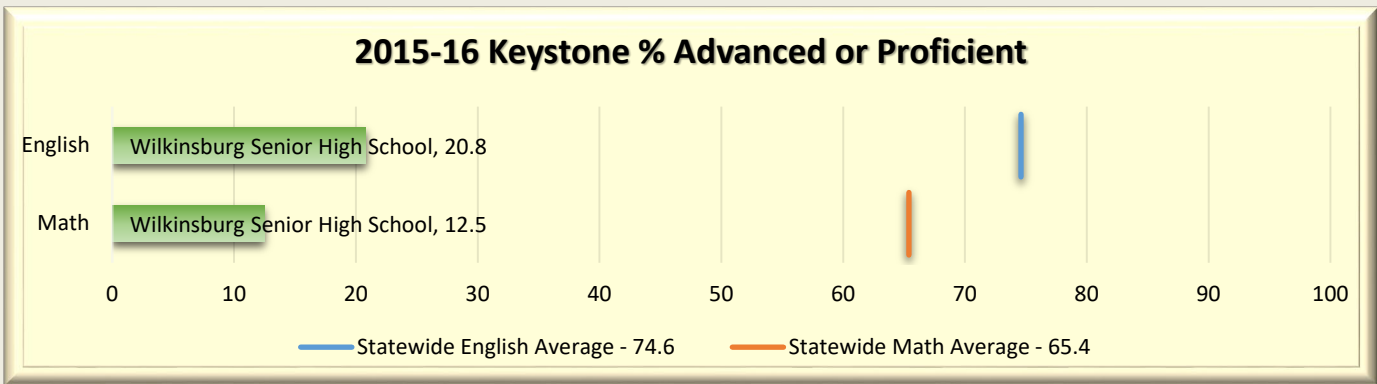


2015-16 Academic Data
School Scores Compared to Statewide Averages

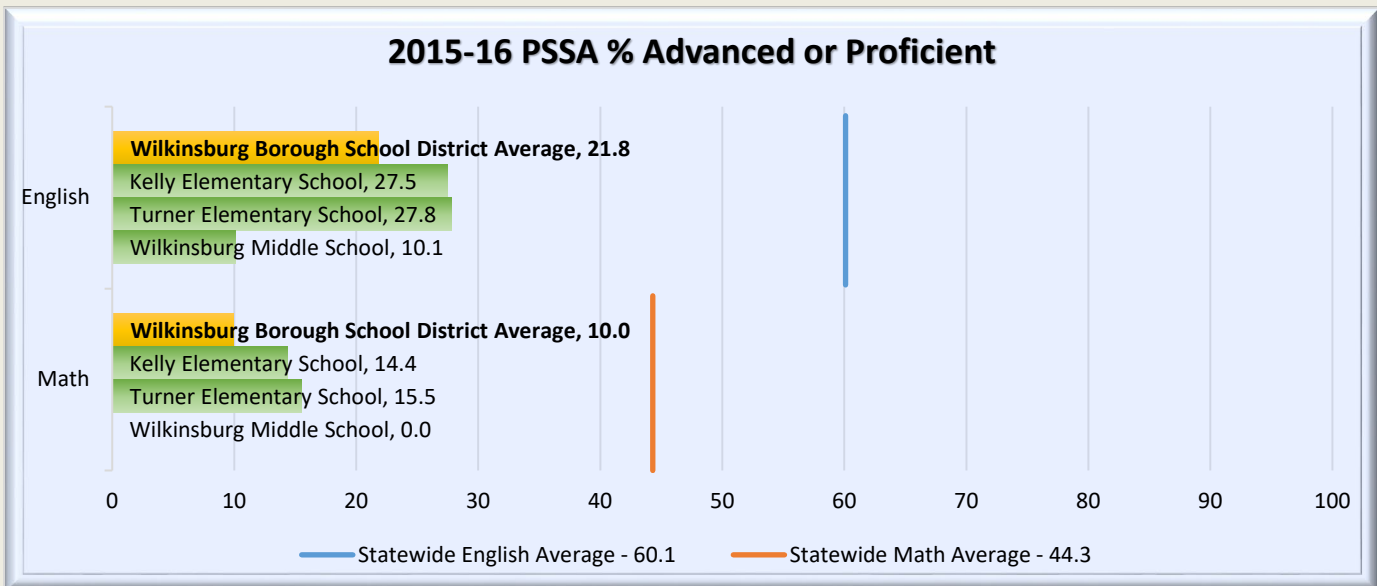
2015-16 SPP Scores



2015-16 Keystone % Advanced or Proficient

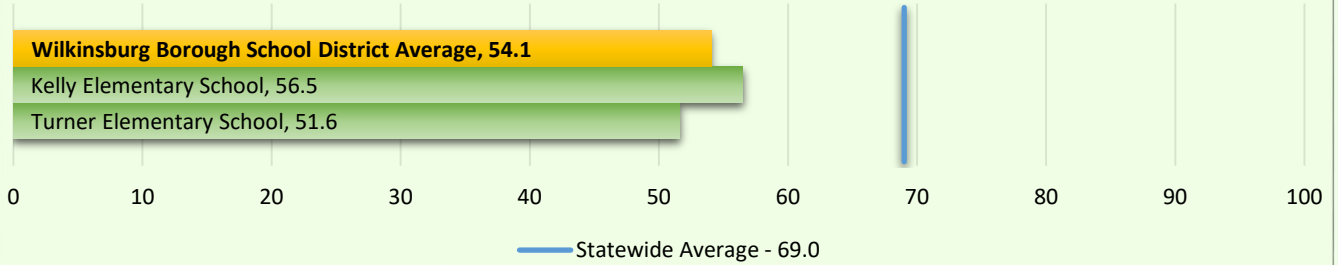


2015-16 PSSA % Advanced or Proficient

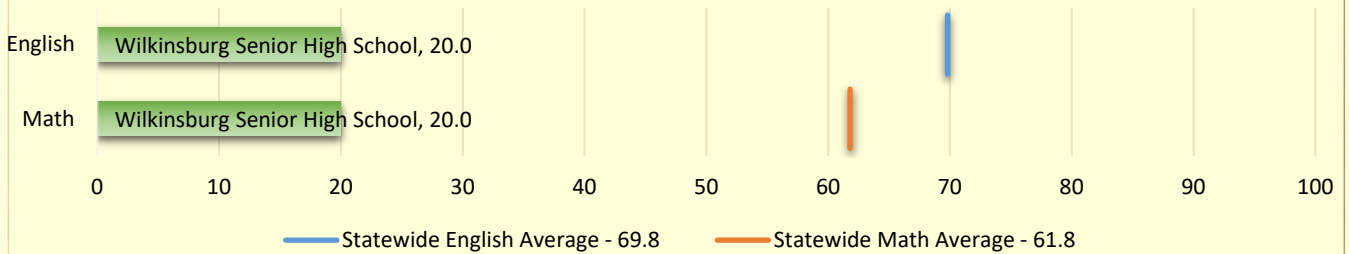


2016-17 Academic Data
School Scores Compared to Statewide Averages

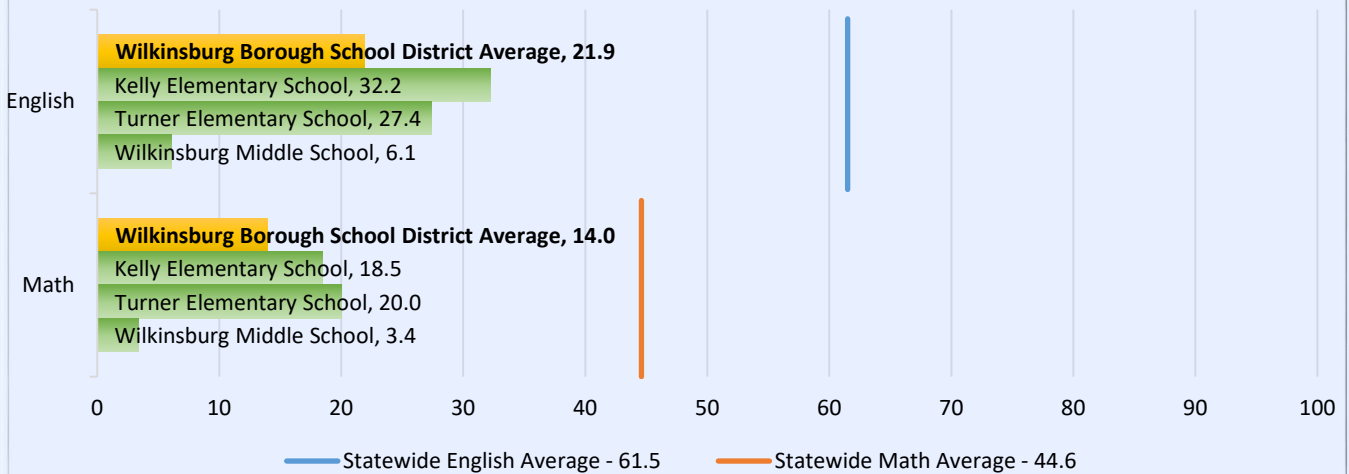
2016-17 SPP Scores



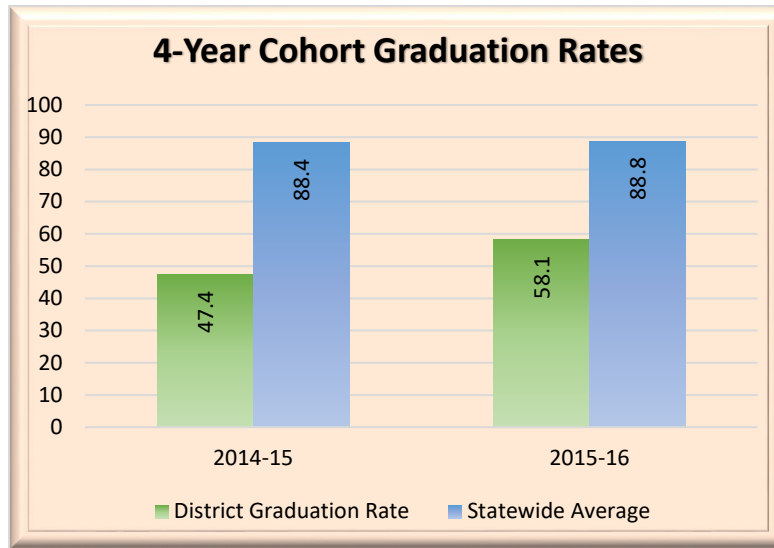
2016-17 Keystone % Advanced or Proficient



2016-17 PSSA % Advanced or Proficient



Graduation Data
District Graduation Rates Compared to Statewide Averages



Findings

Finding No. 1

A Cumulative Operating Deficit Reduced the District's General Fund Balance to Negative \$2.4 Million as of June 30, 2017

Criteria relevant to the finding:

The Government Finance Officers Association (GFOA) has developed Budgeting Best Practices for School Districts. Among the best practices are:⁹

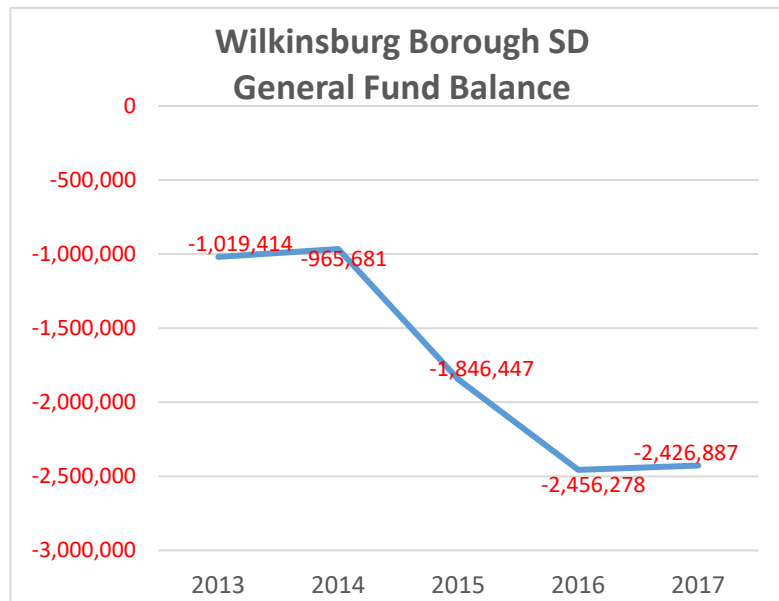
General Fund Reserve. School districts should establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk.

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 revenues or regular general operating expenditures and operating transfers 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 borrowings. 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 Wilkinsburg Borough School District's (District) financial position over a four-year period showed that the District's General Fund balance decreased at an alarming rate of more than 138 percent. At the beginning of our audit period, on July 1, 2013 the District's General Fund balance was negative **\$1,019,414**. Due to multiple operating deficits during the four years of our review, the District's General Fund balance decreased to negative **\$2,456,278** on June 30, 2016, before increasing slightly to a negative **\$2,426,887** as of June 30, 2017. Chart 1 illustrates the District's General Fund balances for each fiscal year reviewed.

Chart 1¹⁰



As detailed in the criteria box, it is considered a best practice for school districts to maintain an unrestricted, or unassigned, fund balance of no less than two months of

⁹ <http://www.gfoa.org/fund-balance-guidelines-general-fund> (accessed 1/28/19)

¹⁰ General Fund balance is the net of the Nonspendable and Unassigned Fund Balances. Information obtained from Independent Auditors Reports, statements of revenue, expenditures, and changes in fund balance.

Criteria relevant to the finding (continued):

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

- Financial industry guidelines recommend that fund balances be between 5 percent and 10 percent of annual expenditures.
- Operating position is the difference between actual revenues and actual expenditures. Financial industry guidelines recommend that the district operating position always be positive (greater than zero).

Section 611-A. (relating to Early warning system) of the Public School Code (PSC) provides, in part:

(a) Establishment.—

- (1) The department shall develop and implement an early warning system under which the department shall:
 - (i) Compile financial data and maintain accurate and current information and data on the financial conditions of school districts. Each school district shall provide its financial data and information to the department within 15 days of a request by the department.

general fund operating revenues. With such a large negative General Fund balance, the District is far from operating in accordance with well-established best practices (please see criteria box).

The District’s financial position continued to deteriorate during our audit period despite being placed on *financial watch status* by the Pennsylvania Department of Education (PDE) on March 15, 2013.¹¹ *Financial watch status* is a precursor to being placed in *financial recovery status* for districts that do not improve financially.¹²

A district placed in *financial recovery status* loses local control of district operations. In these instances, the District’s Board of School Directors no longer has the authority to provide oversight of District operations. School districts in *financial recovery status* have a PDE-appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.¹³

In January 2013, the District requested a \$3 million general obligation note from Allegheny County to meet operating expenditures. This request caused the PDE to place the District in *financial watch status*. Being placed on *financial watch status* allowed the District to receive and continue to receive technical assistance from the PDE with the ultimate goal of improving the District’s financial position.

The District was provided a PDE-appointed advisor when it was placed in *financial watch status*. This advisor met with District officials in person monthly and communicated with District officials on an ongoing basis to provide ideas and approaches for the District to improve its financial position. District officials stated that the technical assistance received to date has been beneficial. For example, the PDE-appointed advisor provided construction project advice, assisted with a debt service refinancing, and reviewed monthly cash flow reports. While the District made significant operational and financial changes during the period reviewed, which we will discuss in detail later in the finding, the cumulative operating deficits and negative

¹¹ 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”).

¹² 24 P.S. § 6-601-A *et seq.*

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

Criteria relevant to the finding
(continued):

- (ii) Regularly analyze and assess school district budget reports, data and other information directly related to the financial conditions of school districts.
- (iii) Utilize appropriate fiscal and socioeconomic variables to identify financial difficulties in school districts in financial watch status.
- (iv) Notify any school district identified for financial watch status.
- (v) Offer technical assistance to school districts in financial watch status to correct minor financial problems and to avoid a declaration of financial recovery status under section 621-A.

General Fund balances during the audit period highlight the continued financial stress that the District experienced.

Even though the District was placed in *financial watch status*, it did not develop a formal financial improvement plan. A formal, multi-year plan with measurable goals is a good business practice that should help the District build a healthy General Fund balance. While a plan was not required when the District was placed in *financial watch status*, Act 86 of 2016 now requires all school districts in *financial watch status* to develop a plan to improve the school district's finances.¹⁴ When we asked District officials why they did not develop a plan, they stated that they were not required by the PDE to develop a plan and it was the District's understanding that only schools placed on *financial watch status* after Act 86 of 2016 were bound by the Act's requirements.

Operating Position

A school district's operating position is an important indicator of a district's financial health and is determined by subtracting operating expenditures and other financing uses from operating revenues and other financing sources. The District's operating deficits during the 2014-15 and 2015-16 fiscal years were the cause of the significant decrease in the District's General Fund balance. The following table illustrates the District's operating position for the four years reviewed.

Table 1

Wilkesburg Borough School District General Fund Operating Position				
Fiscal Year Ending June 30	Total Revenues ¹⁵	Total Expenditures ¹⁶	Total Other Financing Sources/(Uses) ¹⁷	Operating Surplus/(Deficit)
2014	\$29,127,485	\$29,226,496	\$152,744	\$53,733
2015	\$27,855,395	\$28,531,526	(\$204,635)	(\$880,766)
2016	\$29,719,094	\$30,202,745	(\$126,180)	(\$609,831)
2017	\$30,924,367	\$30,609,876	(\$285,100)	\$29,391
Total:	\$117,626,341	\$118,570,643	(\$463,171)	(\$1,407,473)

¹⁴ 24 P.S. § 6-694-A (Addition to Article VI-A. SCHOOL DISTRICT FINANCIAL RECOVERY by Act 86 of 2016 and most recently amended by Act 55 of 2017). See also the criteria box.

¹⁵ Information obtained from Independent Auditors Reports, statements of revenue, expenditures, and changes in fund balance.

¹⁶ Ibid.

¹⁷ Ibid.

Criteria relevant to the finding (continued):

- (2) (i) The department shall develop the fiscal and economic variables to be used in identifying school districts in financial watch status, shall test the validity and reliability of the variables and shall continuously monitor the variables to assure their effectiveness.
- (ii) The variables developed by the department under this paragraph shall include, but shall not be limited to, whether any political subdivision located within the school district is a financially distressed municipality under the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act.
- (3) In developing an early warning system under this section, the department may employ or contract with fiscal consultants as deemed necessary to administer the provisions of this section.
- (b) Duties.--When a school district is identified through the early warning system for financial watch status, the department shall:
 - (1) Notify the school district that the department has identified the school district for financial watch status.

The District entered into two notable agreements during our audit period in an effort to improve its long-term financial stability. These agreements affected the District's operating position and will continue to affect the District's financial position in future years. The following sections discuss the agreements in detail.

Agreement with Pittsburgh Public Schools

The District, in an attempt to improve academic offerings to students and control instructional costs, made the decision to discontinue its secondary educational program (grades 7 through 12) and instead allow its students to attend school at another nearby district. District enrollment had been decreasing and feasibility studies projected enrollment to continue to decline. The costs associated with educating elementary students are less impacted by student enrollment numbers due to a focused curriculum related to state assessments and a more structured teaching schedule. For secondary educational programs, the curriculum becomes more diverse and requires a daily schedule that provides a combination of mandatory and elective instructional periods for staff and students. Accordingly, the District reached an agreement with Pittsburgh Public Schools (PPS) for secondary students to attend PPS schools.

The six-year agreement covers the school years 2016-17 through 2021-22. The District paid the PPS \$8,000 per student in 2016-17 and \$9,600 in 2017-18. The agreement stipulates that in subsequent years, the tuition rate will be adjusted by the Act 1 index as annually determined by the PDE, or as otherwise agreed by the parties. As a result of this agreement, the District sold an elementary building in February 2017 for \$225,000 and converted the high school into an elementary school. In addition, the District eliminated 21 teaching positions and 2 clerical positions and reduced overall maintenance costs.

The District began to annually receive an additional \$3 million in state subsidies after entering into the agreement with the PPS.¹⁸ Part of the rationale behind the

¹⁸ See Act 35 of 2016, enacted June 1, 2016 with various effective dates of its provisions. The annual \$3 million in state subsidies will continue unless legislative action is taken.

Criteria relevant to the finding (continued):

- (2) Request from the school district all information necessary to enable the department to conduct a review of the school district's financial condition. A school district that receives a request for information under this paragraph shall provide the department with all information requested within 15 days.
- (3) Perform a thorough review of the school district's financial condition, which shall include a review of the information provided by the school district under paragraph (2) and which may include visits and correspondence with school district officers and employees.
- (4) Provide the school district with technical assistance appropriate to remedying the school district's financial difficulties, which may include, but shall not be limited to, contracting with financial consultants to assist the school district. *See* 24 P.S. § 6-611-A(a) and (b) added by Act 141 of 2012.

additional state subsidies provided to the District was for the District to reimburse the PPS for non-tuition related transition expenditures born by the PPS. The agreement with the PPS has benefited the District financially. The District was able to reduce instructional expenditures significantly during the 2016-17 fiscal year and expects this reduction to continue as transition expenditures to the PPS conclude during the 2018-19 fiscal year.

Agreement to Sell Delinquent Real Estate Tax Claims

The economic environment of the Borough of Wilkinsburg has made it difficult for the District to generate local revenue. The Borough experienced a population decline of 17 percent from 2000 to 2010¹⁹ and this population decline has continued as the Borough lost an additional 2.4 percent of its population through July 1, 2017, according to United States Census estimates. Historically, the District's real estate tax collection rate has been under 75 percent, less than the average tax collection rate for districts.

In July 2013, shortly after being placed in *financial watch status*, the District sold the collection rights of its delinquent real estate taxes. At this time, the District was struggling to meet day-to-day operational costs and this agreement allowed the District access to a \$2.4 million line of credit established by a third party.²⁰ The District hoped to repay the line of credit by collecting delinquent real estate taxes. The balance on the \$2.4 million line of credit was due on August 31, 2017. In essence, the District bundled their delinquent real estate taxes and entered into a payday type of loan with the hope of collecting enough delinquent taxes to satisfy the obligation.

With the majority of these delinquent taxes proving to be uncollectable, the District was responsible for paying the difference between the \$2.4 million line of credit and the amount of delinquent real estate taxes collected plus associated non-satisfaction fees. District officials realized that this was essentially a bad debt and elected to use some of the additional state subsidies received after entering into the agreement with the PPS to satisfy this debt prior to the

¹⁹ Per the U.S. Census Information: Population decline 2000-2010 = 19,196 to 15,930 = 3,266, continued decline 2010-2017 = 15,930-15,554= 376 United States Census Bureau, Census.gov [Census Estimate](#) (Accessed on January 2, 2019).

²⁰ The total amount of delinquent taxes was \$2,889,963.15. The line of credit is the amount received by the District after fees.

Criteria relevant to the finding (continued):

Section 694-A (relating to Additional criteria) of the Public School Code provides, in part:

The secretary shall notify each school district that receives educational access program funding that is equal to or greater than \$2,000,000 in any one fiscal year that the school district has been identified for financial watch status. A school district identified for financial watch status under this subsection shall receive technical assistance as a financial watch district from the department as provided for in section 611-A(b) and shall develop a plan to improve the school district's finances based on the technical assistance provided by the department for approval by the secretary. The plan shall be submitted to the secretary no later than 180 days after the school district has been identified for financial watch status under this subsection. Each year after the initial submission of the plan, until the secretary determines otherwise, a school district subject to this subsection shall submit a report to the secretary outlining the status of the school district's plan, meet with the secretary or a designee of the secretary to review the report and the status of the school district's finances and hold an annual public hearing regarding the plan. A copy of the school district's approved plan and any subsequent annual reports to the secretary shall be posted on the publicly accessible Internet website of the school district and transmitted to the chairperson and minority chairperson of the Appropriations Committee of the Senate, the chairperson and minority chairperson of the Appropriations Committee...

due date. In January 2017, the District paid out more than \$1.2 million to satisfy the debt and end this agreement.

The unplanned expense to end this agreement impacted the District's ability to reduce total expenditures in the 2016-17 fiscal year despite the District eliminating 21 teaching positions and 2 clerical positions prior to this year. The District used the financial benefits of the agreement with the PPS to eliminate the unfavorable "payday loan" agreement during the 2016-17 fiscal year in an effort to improve the District's future financial position.

Conclusion

Although the District was placed in *financial watch status* in 2013, the District General Fund balance decreased significantly during the audit period. While struggling to meet daily operational expenditures in 2013, the District executed an agreement to sell its delinquent real estate taxes in exchange for accessing a \$2.4 million line of credit. The District was able to end this unfavorable agreement in 2017 by using the additional state subsidies received after entering into an agreement with the PPS. The District's agreement with the PPS to educate the District's secondary students allowed the District to eliminate teaching positions and sell a school building. The agreement with the PPS has been financially beneficial to the District and should continue to be beneficial as transition costs owed to the PPS end.

The District has improved its financial prospects with its agreement with the PPS and ending its agreement to sell its delinquent real estate taxes. However, the District continues to face financial challenges. Charter school costs remained steady at 20 percent of expenditures throughout the audit period and a declining enrollment will exert pressure on the District to retain students. While the District projected a positive \$152,400 General Fund balance as of June 30, 2018, this amount is far less than the balance recommended by Government Finance Officers Association (GFOA).

The District, like individuals, should have something similar to a "rainy day fund" to deal with emergencies or unforeseen needs, unanticipated expenses, and disruptions to revenue. The lack of available reserve funds could compel the District to borrow funds to meet operational

*Criteria relevant to the finding:
(Continued):*

...of the House of Representatives, the chairperson and minority chairperson of the Education Committee of the Senate and the chairperson and minority chairperson of the Education Committee of the House of Representatives. See 24 P.S. § 6-694-A (Addition to Article VI-A SCHOOL DISTRICT FINANCIAL RECOVERY by Act 86 of 2016)

expenses. Additional borrowing could present a hardship for a District that lacks a sufficient tax base to generate revenue and is therefore heavily reliant on subsidies.

Recommendations

The *Wilkesburg Borough School District* should:

1. Develop a formal, multi-year plan with measurable goals to improve the District's finances.
2. Submit the financial improvement plan to the Secretary of Education, hold a public meeting on this plan, and post the plan on the District's publicly accessible internet website to increase awareness and improve transparency to the public.
3. Conduct public meetings (in addition to the meeting about the plan noted above) with all District residents to obtain their suggestions/concerns about the District.
4. Closely evaluate the information gleaned from the public meetings about the District in an effort to retain District students.

Management Response

District management provided the following response:

“The District has made tremendous strides on eliminating the deficit fund balance from 6/30/2017. FY ending 6/30/2018 the fund balance was just over \$2.6 million which has given the district a positive fund balance of \$152,000. The partnership has helped in this matter as well as eliminating wasteful spending throughout the District.

The District has restructured the Elementary buildings to be Pre-k-2 and 3-6. This has helped eliminate staff and right size the District, while at the same time add additional programs.”

Auditor Conclusion

We are encouraged to see that the District's financial position has improved during the 2017-18 fiscal year. We encourage the District to implement our recommendations in an effort to increase its General Fund balance to GFOA recommended levels.

Finding No. 2

The District Failed to Retain Required Documentation to Support the More Than \$1.5 Million in Transportation Reimbursements

Criteria relevant to the finding:

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 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 students transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes." *See* 24 P.S. § 25-2541(a).

The District did not comply with the record retention provisions of the Public School Code (PSC) when it failed to retain adequate source documents to verify over \$1.5 million in transportation reimbursements from the PDE for the 2013-14 through 2016-17 school years.

Without proper documentation, we were unable to determine the appropriateness of the regular and supplemental transportation reimbursement received by the District. It is absolutely essential that records related to the District's transportation expenses and transportation reimbursements be retained in accordance with the PSC record retention provision (for a period of not less than six years) cited in the criteria box and be readily available for audit.²¹

Districts receive two separate transportation reimbursement payments from the 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 (regular transportation reimbursement). The other reimbursement is based on the number of charter school and nonpublic school students transported (supplemental transportation reimbursement).

The District failed to obtain and/or retain all source documents for us to verify the accuracy of both transportation reimbursements received. 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 year with the PDE including a certification that the District has complied with all applicable provisions of law or state regulations in order to be eligible for the transportation subsidies.

²¹ *See* 24 P.S. § 5-518.

Criteria relevant to the finding (continued):

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 the PDE in order to be eligible for the transportation subsidies. See 24 P.S. § 25-2543.

Regular Transportation Reimbursement Received

As evidenced by the components listed above, the number of students transported, number of days transported, and miles driven are the basis for calculating the regular transportation reimbursement. Therefore, it is essential for districts to document, verify, and retain odometer readings, student rosters, and any changes that may occur during the year for each vehicle transporting students.

In this case, the District did not maintain sufficient documentation of this information for the four years reviewed. The table below shows the student and vehicle data reported to the PDE and the regular reimbursement received for each school year.

Table 1

Wilkesburg Borough School District Transportation Data Reported to the PDE			
School Year	Reported Number of Students Transported	Reported Number of Vehicles	Total Reimbursement Received
2013-14	283	27	\$286,172
2014-15	412	17	180,602
2015-16	483	29	263,586
2016-17	566	33	306,674
Totals	1,744	106	\$1,037,034

As illustrated in the table above, the reported number of students increased significantly from the 2013-14 to the 2014-15 school year; however, the reported number of vehicles used to transport students decreased by ten vehicles. Additionally, the total reimbursement received for the 2014-15 school year was significantly less than the 2013-14 school year, despite transporting more students. Based on past accumulative experience, fluctuations like this typically occur when a district reports inaccurate data and necessitates a review of the reported information. In this case, we were unable to substantiate the fluctuations due to the District’s lack of supporting documentation.

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: “[A]nnually, 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.) Id

Supplemental Transportation Subsidy for Nonpublic and Charter School Students

The Charter School Law (CSL), through its reference to Section 2509.3 of the PSC provides for an additional, per student subsidy for the transportation of charter school students. *See* 24 P.S. § 17-1726-A(a); 24 P.S. § 25-2509.

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.”

Supplemental Transportation Reimbursement Received

The PSC requires school districts to provide transportation services to students who reside in its district and who attend a charter school or nonpublic school, and it provides for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the district. This reimbursement was made applicable to the transportation of charter school students pursuant to an equivalent provision in the Charter School Law (CSL), which refers to Section 2509.3 of the PSC.²²

The table below shows the number of charter school students reported to the PDE as transported during our four year audit period and the supplemental transportation reimbursement received for each school year.

Table 2

Wilkinsburg Borough School District Transportation Data Reported to the PDE		
School Year	Charter School Students Reported	Supplemental Transportation Reimbursement Received²³
2013-14	188	\$72,380
2014-15	332	\$127,820
2015-16	381	\$146,685
2016-17	357	\$137,445
Total	1,258	\$484,330

The District did not have documentation supporting the number of charter school students reported to the PDE as transported during the 2013-14 through 2016-17 school years. As discussed previously in this finding, the District did not obtain or maintain student rosters that contained charter school students. Additionally, the District could not provide requests for transportation submitted by either the

²² *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”).

²³ Calculated by multiplying charter school students reported by \$385.

Criteria relevant to the finding (continued):

Section 1726-A(a) 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.”

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.

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.

PDE instructions for Local Education Agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to the PDE.

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed on November 14, 2018)

educating charter schools or the parents/guardians of the charter school students. Without this documentation, we were unable to verify the almost \$500,000 in supplemental transportation reimbursement received by the District.

As illustrated in the table above, the District reported almost 150 more charter school students transported in the 2014-15 school year compared to the 2013-14 school year. Based on past accumulative experience, fluctuations like this typically occur when a district reports inaccurate data and necessitates a review of the reported information. However, similar to the District’s regular transportation data reported to the PDE, we were unable to substantiate the fluctuations due to the District’s lack of supporting documentation.

Districts that transport students are required to report detailed transportation data annually to the PDE. The PDE reimburses districts based on the detailed information submitted. Transportation data is submitted through an application on the PDE’s secure website and is certified by the district’s Superintendent. The Wilkinsburg Borough School District reported this detailed information for each year of the audit period and the District’s Superintendent certified the information each year; however, the District could not provide us with supporting documentation for this information. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education *unless* the transportation data has been double-checked for accuracy by personnel trained on the PDE’s reporting requirements.

The District lacked procedures detailing the collection, reporting, and retention of source documentation to support transportation data submitted to the PDE. District officials attributed the lack of supporting documentation to position turnover during the audit period and the fact that retention responsibilities changed hands multiple times during this time period. District officials stated that odometer readings were not received from the transportation contractor during our audit period and that the District did not obtain requests to transport charter school students. The PSC requires that all financial records 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 requirement in maintaining

*Criteria relevant to the finding
(continued):*

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.

State Board of Education Regulations. Title 22, Chapter 23 (relating to Pupil Transportation), Section 23.4: “The board of directors of a school district is responsible for all aspects of pupil transportation programs including . . . (3) The establishment of routes, schedules and loading zones which comply with laws and regulations, . . . (5) The furnishing of rosters of pupils to be transported on each school bus run and trip; (6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones . . .”

supporting documentation for its transportation reimbursement.

The District failed in its fiduciary duties to taxpayers and was not in compliance with the PSC by not retaining this information. Without the documentation, we could not determine whether the amount of regular and supplemental transportation reimbursement received was appropriate. Transportation expenses and the subsequent transportation reimbursements are significant factors that can impact the District’s overall financial position. Therefore, it is in the best interest of the District to ensure that it regularly and consistently meets its fiduciary duties and complies with the PSC’s record retention requirements.

Recommendations

The *Wilkesburg Borough School District* should:

1. Immediately take the appropriate administrative measures to ensure that it retains all documentation supporting the transportation data reported to the PDE, including student bus rosters and days traveled, in accordance with the PSC’s record retention requirements.
2. Establish a safe and adequate location to store all source documents and calculations supporting transportation data submitted to the PDE. Further, ensure that record retention procedures, including locations, are documented and staff are trained on the procedures.
3. Establish District procedures that specifically address how transportation data is collected, reviewed, and reported to the PDE.
4. Establish training to be provided on a periodic basis for all new and current District personnel responsible for calculating and submitting transportation subsidy data to the PDE.

Management Response

District management provided the following response:

“The District had requested on numerous occasions’ documentation from the former bus company, they were unable to provide the appropriate documents for the time period mentioned. [Former bus company] noted that all information for the period requested had been thrown away.

Since 16/17 the District has switched bus contractors which will help with retaining the proper documentation and records. Also, having a District employee overseeing the transportation department will ensure accurate record keeping.”

Auditor Conclusion

We are encouraged that the District now has a designated employee overseeing the transportation department. We continue to emphasize that the PSC is clear that it is the District’s responsibility to retain source documents for transportation reimbursement received from the PDE. Additionally, we continue to recommend that the District should not file for transportation reimbursements unless the transportation data has been double checked for accuracy by personnel trained on the PDE’s reporting requirements.

Finding No. 3

The District Failed to Retain Required Documentation to Support the Over \$173,000 Received in Commonwealth-Paid Tuition for Educating Nonresident Students

Criteria relevant to the finding:

Record Retention Requirement

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

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

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

The District did not comply with the record retention provisions of the PSC and the State Board of Education’s regulations when it failed to retain adequate support documents to verify \$173,200 in Commonwealth-paid tuition for educating nonresident students during the 2013-14 through 2015-16 school years.²⁴ Without proper documentation, we were unable to verify the accuracy of the District’s reporting of nonresident students and the Commonwealth-paid tuition received for the 2013-14, 2014-15, and 2015-16 school years.

As discussed in our criteria box, school districts are entitled to receive Commonwealth-paid tuition for educating nonresident students. To be eligible to receive Commonwealth-paid tuition, the student’s parent/guardian must not be a resident of the educating district and the student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.²⁵ Additionally, the resident must be compensated for care of the student. These students are commonly referred to as “foster students” and it is the requirement of the educating district to obtain the required documentation to correctly categorize and accurately report the number of foster students to the PDE. The Wilkinsburg Borough School District was unable to produce the documentation required to support the number of nonresident students reported to the PDE. Without this critical documentation, we were unable to verify the accuracy of the tuition received by the District.

²⁴ The District did not report any nonresident students as educated during the 2016-17 school year. *See* 24 P.S. § 5-518 for the record retention requirement of the PSC.

²⁵ For example, the relevant county children and youth agency.

Criteria relevant to the finding (continued):

Section 2503(c) of the PSC specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section **one thousand three hundred five . . .** shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil, as the case may be . . .” [Emphasis added.] See 24 P.S. 25-2503(c).

State Board of Education regulations and PDE guidelines govern the classification of nonresident children placed in private homes.

The table below illustrates the number of nonresident students reported as educated by the District during the audit period and corresponding amount of Commonwealth-paid tuition received by the District for these students.

Wilkesburg Borough School District Nonresident Data Reported to the PDE		
School Year	Reported Number of Nonresident Students	Commonwealth-paid Tuition Received²⁶
2013-14	7	\$78,651
2014-15	5	\$57,223
2015-16	4	\$37,326
2016-17	0	\$0
Totals	16	\$173,200

We requested documentation supporting the nonresident students reported to the PDE as educated by the District on numerous occasions during our audit; however, the District was unable to produce information supporting that these students were accurately reported. The District lacked procedures related to assuring proper review and reporting of nonresident students to the PDE. District officials attributed the inability to produce supporting documentation for the 2013-14 through 2015-16 school years to turnover in the role responsible for reporting nonresident students to the PDE.

Recommendations

The *Wilkesburg Borough School District* should:

1. Ensure that all required supporting documentation is obtained and maintained for all nonresident students reported to the PDE as educated by the District.
2. Establish a safe and adequate location to store all source documents and calculations supporting nonresident student data submitted to the PDE. Further, ensure that record retention procedures, including

²⁶ Commonwealth tuition is determined by identifying if the nonresident student is an elementary or secondary student and the District’s tuition rate for the applicable category.

*Criteria relevant to the finding
(continued):*

Subsection (a) of Section 11.19 (relating to Nonresident child living with a district resident) of the State Board of Education's regulations provides as follows, in part.

“(a) A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the resident’s own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is a resident of the district, the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term.” See 22 Pa. Code § 11.19(a).

locations, are documented and staff are trained on the procedures.

3. Establish District procedures that specifically address how nonresident student data is collected, reviewed, and reported to the PDE.

Management Response

District management provided the following response:

“The District had been keeping court orders to prove non-residence students. This documentation was not enough, actual documentation from CYS is needed.

The District has started requiring this information through the Social Worker who is now a District employee. The Child Accounting Department and Social Worker are in communication regarding nonresident students and what appropriate documentation is needed.”

Auditor Conclusion

We are encouraged that the District is now familiar with the requirements needed to report a student to the PDE as a nonresident student. We continue to recommend that the District establish procedures for reporting nonresident students to the PDE.

Finding No. 4

The District Failed to Adequately Maintain Its Required Safety Plan and Comply with Bullying Prevention Requirements

Criteria relevant to the finding:

Subsection (g) of Section 7701 (relating to Duties concerning disaster prevention) of the Emergency Management Services Code provides:

“Plans.--Every school district [and other school entity] and custodial child care facility, in cooperation with the local Emergency Management Agency and the Pennsylvania Emergency Management Agency, shall develop and implement a comprehensive disaster response and emergency preparedness plan consistent with the guidelines developed by the Pennsylvania Emergency Management Agency and other pertinent State requirements. The plan shall be reviewed annually and modified as necessary. A copy of the plan shall be provided to the county emergency management agency.” See 35 Pa.C.S. § 7701(g). See also 22 Pa. Code § 10.24(a) and (b).

The Pennsylvania *All Hazards School Safety Planning Toolkit* offers best practices specific to comprehensive disaster response and emergency preparedness planning that applies to all school entities. See <http://www.pema.pa.gov/planningandpreparedness/communityandstateplanning/Pages/All-Hazards-School-Safety-Planning-Toolkit.aspx>.

The District failed to adequately maintain its safety plan as required by the Emergency Management Services Code (Code) and comply with certain bullying prevention provisions of the “Safe Schools Act” (Act). Specifically, it did not provide sufficient and ongoing planning for disaster response and emergency preparedness pursuant to the Code.²⁷ Among other issues of noncompliance, the District failed to review its bullying policy every three years in accordance with the Act, satisfy several other bullying prevention requirements under the Act, and provide evidence of compliance with and monitoring of its own bullying policy. All of these issues could jeopardize the safety and security of District students and staff.

Background on Disaster Response and Emergency Preparedness Plans

Pursuant to the Code, all Pennsylvania school districts are required to develop and implement a comprehensive disaster response and emergency preparedness plan (Plan) consistent with the guidelines developed by the Pennsylvania Emergency Management Agency (PEMA) and other pertinent State requirements.²⁸ School districts are also required to *annually* review and modify the Plan, as necessary. Further, a copy of the Plan must be provided to the respective county emergency management agency.²⁹

In the District’s case, a Plan should have been shared with the PEMA, the Allegheny County Emergency Management Agency, local law enforcement agencies, local fire departments, and any other local first responders.

²⁷ 24 P.S. § 13-1301-A *et seq.* (note: the Act is also known as Article XIII-A “Safe Schools”) and the State Board of Education’s Safe Schools regulations, 22 Pa. Code §§ 10.1- 10.25. See also 35 Pa.C.S. § 7101 *et seq.* (i.e., Emergency Management Services Code) as amended.

²⁸ 35 Pa.C.S. § 7701(g).

²⁹ *Ibid.*

Criteria relevant to the finding (continued):

Subsection (b) of Section 1303.1-A (relating to Policy relating to bullying) of the “Safe Schools Act” (Act) states:

“Each school entity shall make the policy available on its publicly accessible Internet website, if available, and in every classroom. Each school entity shall post the policy at a prominent location within each school building where such notices are usually posted. Each school entity shall ensure that the policy and procedures for reporting bullying incidents are reviewed with students within ninety (90) days after their adoption and thereafter at least once each school year.” See 24 P.S. § 13-1303.1-A(b).

Subsection (c) of Section 1303.1-A of the Act states:

“Each school entity shall review its policy every three (3) years and annually provide the office with a copy of its policy relating to bullying, including information related to the development and implementation of any bullying prevention, intervention and education programs. The information required under this subsection shall be attached to or made part of the annual report required under section 1303-A(b).” See 24 P.S. § 13-1303.1-A(c).

Section 1301-A (relating to Definitions) of the Act defines a “School entity” as “any public school district, intermediate unit, area vocational-technical school or charter school.” See 24 P.S. § 13-1301-A.

When properly written and executed, a Plan serves as the primary directive in the event of a disaster or emergency situation. According to the Pennsylvania *All Hazards School Safety Planning Toolkit*, a guide for assisting districts with the development of such plans, “Schools should use this plan to form a reference document that can be used in training, exercising and collaboration with responders, and as a reference during an incident.”³⁰ The Plan should be customized to meet local needs and capabilities.³¹

According to both the Pennsylvania *All Hazards School Safety Planning Toolkit* and the U.S. Department of Education’s *Guide for Developing School Emergency Operations Plans*, the Plan should address the four phases of an emergency: 1) prevention/mitigation, 2) preparedness, 3) response, and 4) recovery. A well-detailed comprehensive plan should include, but not be limited to the following:³²

- Organization and assignment of responsibilities
- Direction, control, and coordination
- Information collection, analysis, and dissemination
- Training and exercises
- Plan development and maintenance

In addition, the Plan should address the following functions, at a minimum:³³

- Communications
- Evacuation
- Shelter-in-place
- Lockdown
- Accounting for all persons
- Reunification
- Continuity of Operations
- Security
- Recovery
- Health and Medical

³⁰ The webpage for the PDE’s Office of Safe Schools provides a link to the Pennsylvania *All Hazards School Safety Planning Toolkit*, which provides guidance to districts, charter schools, and other LEAs in developing safety plans. <http://www.pema.pa.gov/planningandpreparedness/communityandstateplanning/Pages/All-Hazards-School-Safety-Planning-Toolkit.aspx>. Chapter I, Introduction, 0010 Purpose and Guidance, Section A(2), accessed November 7, 2018.

³¹ Ibid.

³² Federal Emergency Management Agency, “Guide for Developing High Quality School Emergency Operations Plans,” 2013, pages 25-27, https://rems.ed.gov/docs/REMS_K-12_Guide_508.pdf, accessed November 7, 2018.

³³ Ibid., pg. 18.

Weaknesses Identified in District’s Planning Efforts

We found several areas of concern during our review of the District’s planning efforts regarding disaster response and emergency preparedness. Due to the sensitive nature of these issues, we did not include these issues in this public report. Rather, we confidentially shared the specific results of our review of the District’s safety planning efforts with the District’s Superintendent and distributed them via an encrypted confidential email to appropriate law enforcement agencies having jurisdiction over the District and its school buildings.

We also found that, as of October 23, 2018, the District has never conducted a risk and vulnerability assessment of its school buildings. Such assessments can be conducted internally or by an outside organization for use as a planning tool in the development of a District’s disaster response and emergency preparedness plan.³⁴ They are offered to all Commonwealth school districts free of charge by the Pennsylvania State Police (PSP) to “provide comprehensive examinations of physical facilities and operational procedures; identify critical assets, threat potential and vulnerabilities; and offer recommendations to improve security.”³⁵

Administrators explained that the District started to develop an “emergency operations plan” approximately two years ago, but turnover in administrative staff caused this initiative to fall through the cracks.³⁶ The current Superintendent has been working to develop the Plan and is in the process of securing grant funds to help pay for the District’s planning efforts. Furthermore, the administrators were unaware of the free Risk and Vulnerability Assessments conducted by the PSP.

The District’s failure to provide sufficient and ongoing planning for disaster response and emergency preparedness increased the risk of the District not adequately preparing

³⁴ Pennsylvania *All Hazards School Safety Planning Toolkit*. 2013. Chapter IV. “Prevention and Mitigation.” Page 2 of 9.

³⁵ Center for Safe Schools, Risk and Vulnerability Assessments, <http://www.safeschools.info/emergency-management/emergency-management/254-risk-and-vulnerability-assessments>, accessed November 7, 2018. *See also*, Pennsylvania Commission on Crime and Delinquency, School Safety and Security web page specific to Act 44 of 2018 requirements that do not apply to this audit period, but are, nonetheless, instructive. [https://www.pccd.pa.gov/schoolsafety/Documents/Website%20Powerpoint%20\(Overview%20of%20Act%2044\).pdf](https://www.pccd.pa.gov/schoolsafety/Documents/Website%20Powerpoint%20(Overview%20of%20Act%2044).pdf), accessed November 26, 2018.

³⁶ The “emergency operations plan” is the equivalent of the disaster response and emergency preparedness plan.

for, responding to, and recovering from an emergency situation.

Noncompliance in Bullying Prevention Requirements

We found several areas of noncompliance with bullying prevention requirements pursuant to the Act. While the District has a bullying policy, it hasn't been reviewed since it was originally adopted on April 23, 2012. The Act requires that bullying prevention policies be reviewed every three years. Consequently, the District should have reviewed its policy at least twice as of the time of the audit.

Additionally, while conducting physical security reviews at the District's two elementary buildings on May 23, 2018, we observed that the District's bullying policy was not posted in prominent locations in school buildings, nor was it accessible in every classroom as required by the Act and the District's own policy. It is important for the District and its school buildings to publicize its bullying policy in an effort to heighten awareness and communicate reporting procedures, which could help to deter bullying and increase staff and student reporting.

Finally, the District was in noncompliance with several other bullying prevention requirements under the Act as specified below.

- The District does not have written procedures for administrators and staff to follow, either district-wide or at each school building, on how to recognize and intervene in bullying situations and on the proper procedures to follow if a student reports bullying or harassment.
- Administrators and staff did not receive annual training on how to recognize and intervene in bullying situations and on the proper procedures to follow if a student reports bullying or harassment.
- The District's administration could not provide evidence that it monitors whether teachers, building administrators, and counselors are following the District's procedures for reporting and investigating complaints of bullying.

The District stated that it is currently in the process of updating its bullying policy. The District also stated that its failure to post its bullying policy in school buildings and have it accessible in classrooms was an oversight. Additionally, as stated above, the District experienced turnover in its administration the last few years, and these issues were not followed up on.

In summary, the District's failure to review its bullying policy, post the policy in a prominent location within the school, have it available in classrooms, and meet process, procedure, and training requirements related to bullying resulted in noncompliance with the Act and potential increased risk to its students.

Recommendations

The *Wilkesburg Borough School District* should:

1. Immediately take steps to rectify the specific concerns expressed confidentially by the Pennsylvania Department of the Auditor General with regard to the District's planning efforts in the area of disaster response and emergency preparedness.
2. Submit a copy of the District's Plan to the Allegheny County Emergency Management Agency as required by law and regulations, and as best business practice, to the PEMA, local law enforcement, local fire departments, and first responders in the vicinity of the District.
3. Conduct a risk and vulnerability assessment for all school buildings within the District, either internally or by an outside agency, such as the PSP, and ensure that the results are incorporated into the District's Plan. This assessment should be reviewed annually and updated, as necessary.
4. Review and update its bullying policy every three years as required by law, in consultation with the District's solicitor.
5. Establish written procedures and monitoring steps to ensure compliance with the bullying requirements in the "Safe Schools Act" and the District's own bullying policy.

Management Response

District management provided the following response:

“The District is currently in year three of implementation of the Second Step Social Skills Program and year four of our Positive Behavior Intervention Support (PBIS) program. Both programs are designed to provide and teach students replacement behaviors to bullying and strategies to problem solve and in the school environment and community. Each school has a PBIS coach. The Second Step Program is taught by guidance counselors and consists of grade level developmental lessons and scenarios that follow students as they matriculate that teach and help students recognize bullying and solutions by teaching empathy and providing them with the skills and language to peacefully coexist.

During the 2017-2018 school year, bullying complaints were not consistently handled as documented in the procedures and process outlined in the Student Parent Handbook or according to District Policies # 249 Bullying/Cyber bullying and Policy # 248: Harassment/Bullying. However, this fall, 2018, central office and district administrators have revised and combined both Policies # 248 and 249 into one policy and at its October 23, 2018 board meeting, the board voted to rescind policy #249 and to approve for the first reading the combined Policy # 248 now named Harassment, Bullying/Cyber bullying.

The combined, revised policy was board approved at its Legislative Meeting November 27, 2018 and now spells out more specifically definitions, the process and the procedures for reporting any incidents of harassment, bullying or cyber bullying, A Bullying Initial Report and Action Form and an Anti-Bullying Agreement Form have been developed that will be inserted in the Student/Parent Handbook for the 2019-2020 for parent and student sign-off next school year. Additionally, next year, the Fall/August Opening Professional Development will include and commence moving forward, with annual training for all faculty and staff on bullying prevention led and sponsored by the Allegheny Intermediate Unit.

Safety Plan

Wilkesburg School District currently has a flip chart abbreviated version of Crisis Resource Handbook for teachers to follow in the event of an incident. Teachers participated in an online version of A.L.I.C.E. [Alert, Lockdown, Inform, Counter, Evacuate] training in the spring of 2018 followed by the comprehensive simulated A.L.I.C.E. active shooter training in August, 2018.

However, in accordance with PA ACT 44 Legislation, on September 30, 2018, the District has written and submitted a School Safety and Security Grant to (1) develop a thorough, district-wide school safety, violence prevention, emergency preparedness and all-hazards plans, including revisions or updates to such plans for the purpose to provide processes and procedures to conduct emergency preparedness drills and related activities with local emergency responders under Section 1306-B(j)(1-21), (2) to hire a vendor conduct the required district safety and security assessments; (3) to provide student assistance training to staff; (4) to provide mandatory trainings and training in positive behavioral supports and other areas of mandatory training and (4) to provide staff training in trauma informed care.

Once grant funds are received, the district will hire a coordinator for the development of a District wide Emergency All Hazards Plan to include training and activities in mandatory trainings, fire drills, lockdown drills, active shooter drills and violence prevention in general in the schools and within the community with community, local law enforcement and fire and emergency first responders. A Steering Committee will be formed to involve school and central office administrators, civic and community members, members of the local police force, members of the emergency medical responders, parents, school staff and other key program partners. The steering committee will meet monthly to provide input and guidance in the formation and completion of the district wide plan to include internal and external processes and procedures for all central office and school level staff to follow and practice in the event of fire and active shooter, lockdown and bomb threat drills throughout the school year.”

Auditor Conclusion

We are pleased to note that the weaknesses identified in the District's bullying prevention policy, and its associated procedures, are in the process of being corrected and brought into required compliance with the "Safe Schools Act." However, we continue to stress that the District conduct a risk and vulnerability assessment as soon as possible, and utilize that information in completing and submitting an updated disaster response and emergency preparedness plan.

We will review the District's corrective actions taken during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Wilkesburg Borough School District (District) released on December 6, 2013, resulted in three findings and one observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to the Pennsylvania Department of Education (PDE), interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on December 6, 2013

Prior Finding No. 1: The District Lacks Sufficient Internal Controls Over Its Student Data

Prior Finding Summary: During our prior audit of the District, we found that the District's child accounting staff inaccurately entered its student enrollment data into the District's internal student information system (SIS).

Prior Recommendations: We recommended that the District should:

1. Document all corrections to student data information on both the original source documentation and in the SIS software.
2. Implement a system to remind parents on a recurring basis that the District must be notified prior to withdrawing any student from a District school.
3. Develop a process for tracking student absences so that it will be clear when a student has stopped coming to school and may have withdrawn.
4. Develop a policy and a written procedure for informing parents and guardians of prospective students about the specific information they will need to register at the District.
5. Develop a new registration form that includes all of the information District staff need to complete a student's registration and for the student to be appropriately registered in the Student Information System (SIS) and in the Pennsylvania Information Management System (PIMS).
6. Upon withdrawal, reconcile the student's attendance data in the SIS and PIMS for the actual time in attendance at a District school.

Current Status:

During our current audit, we found that the District has implemented our prior audit recommendations. Specifically, we found that District personnel documented corrections to student data information in the SIS software. In addition, the District has also implemented procedures for parents to notify the District of a student's withdrawal and student absences are now being tracked. Further, new registration forms have been developed, which now include specific information needed to register new students. Finally, District personnel now perform a reconciliation with attendance data in the SIS to actual time attended.

Prior Finding No. 2:

Failure to Develop Memorandum of Understanding with Local Law Enforcement Agency

Prior Finding Summary:

During our prior audit, we found that the District failed to enter into a Memorandum of Understanding (MOU) with a local law enforcement agency having jurisdiction over the relevant school property.

Prior Recommendations:

We recommended that the District should:

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

Current Status:

Our current review of safe schools disclosed the District has implemented prior recommendations number one and two. The MOU between the District and the local law enforcement agency was effective September 2015 and subsequently updated in May 2017. The Board of School Directors (Board), at the time of our review, has not adopted an official policy as specified in recommendation number three. Therefore, we continue to recommend that the District adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with local law enforcement agencies.

Prior Finding No. 3: Failure to Have All School Bus Drivers' Qualifications on File

Prior Finding Summary: During our prior audit of the District's bus driver qualifications for the 2011-12 school year, we found that not all records were on file at the time of the audit.

Prior Recommendations: We recommended that the District should:

1. Review all bus driver qualification documents to ensure compliance with all regulatory requirements. Additionally, the District should document this review either by a notation on the documents that they were reviewed, the date of review and by whom reviewed, or the preparation of a summary report on each driver based on the review of their documents.
2. Complete the implementation process for the policies and procedures related to student transportation. This process should include steps to ensure the policies and procedures comply with all regulatory requirements.

Current Status: Our current review of bus driver qualifications disclosed that the District has implemented our recommendations. Our current review found that all drivers' qualifications were on file and drivers were appropriately qualified and approved.

Prior Observation: The District is Facing Serious Financial Challenges

Prior Observation Summary: During our prior audit of the District's annual financial reports, independent auditor's reports, and General Fund budgets, as well as other financial indicators, we found that the District was facing serious financial challenges.

Prior Recommendations: We recommended that the District should:

1. Provide the Board with standard monthly updates on key financial benchmarks so that policy changes can be made before the District's financial condition worsens.
2. Use monthly budget status reports to scrutinize proposed expenditures for the current operations and limit them to revenues received and the amount appropriated.
3. Adopt budgets estimating beginning fund balances based on historical indicators and realistic expectations of the amount that will actually be available for the budgetary period.

4. Provide for systematic reduction of the General Fund deficit.
5. Conduct a survey with parents sending their children to a charter school to determine the reason why the District is losing students.
6. Monitor the costs to the District related to charter schools on a continuous basis.
7. Open a dialogue with the community to keep stakeholders informed of the financial status and health of the District.
8. Seek out the technical assistance offered to the District by the PDE in order to put best practices in place that would help the District with its financial challenges.

Current Status:

During our current review of the District's financial position, we found that the District implemented some of our prior audit recommendations. Specifically, the District provided the Board with updates on key financial benchmarks and monthly budget statuses. The District also made agreements in an effort to reduce the General Fund deficit. Please see Finding No. 1 in this report for the complete results of our review of the District's financial position during our current audit period of 2013-14 through 2016-17 fiscal years.

Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,³⁷ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

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

The Wilkinsburg Borough School District's (District) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).³⁸ 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.

³⁷ 72 P.S. §§ 402 and 403.

³⁸ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2013 through June 30, 2017. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- ✓ Financial Stability
- ✓ Transportation Operations
- ✓ Student Residency Data
- ✓ School Safety
- ✓ Administrator Contract Buy-out
- ✓ Bus Driver Requirements

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

- ✓ Based on an assessment of financial indicators, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?
 - To address this objective, we reviewed the District's annual financial reports, General Fund budgets, and independent auditor's reports for the 2013-14 through 2016-17 fiscal years. The financial and statistical data was used to calculate the District's General Fund balance, operating position, charter school costs, debt ratio, and current ratio. These financial indicators were deemed appropriate for assessing the District's financial stability. The financial indicators are based on best business practices established by several agencies, including Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. We also communicated with District officials and reviewed documents to determine steps that the District took to improve its financial position. The results of our review of this objective can be found in Finding No. 1 (page 11) of this report.
- ✓ Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?³⁹

³⁹ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- To address this objective, we randomly selected 8 buses of the 17 total vehicles reported by the District to the PDE that were used to transport students during the 2014-15 school year. We requested documentation to verify the accuracy of the number of students reported, miles with students, and miles without students reported. The District was unable to provide us with complete supporting documentation for these vehicles; therefore, we expanded our request to the remaining nine vehicles reported during the 2014-15 school year and all vehicles reported for the 2013-14, 2015-16, and 2016-17 school years.⁴⁰ Additionally, we reviewed all charter school students reported to the PDE as transported by the District during the 2013-14 through 2016-17 school years.⁴¹ The results of our review of this objective can be found in Finding No. 2 (page 19) of this report.

- ✓ Did the District accurately report nonresident students to the PDE? Did the District receive the correct reimbursement for these nonresident students?⁴²
 - To address this objective, we initially reviewed all four nonresident students reported by the District to the PDE during the 2015-16 school year. We requested documentation to verify that the custodial parent or guardian was not a resident of the District and the foster parent received a stipend for caring for the student. After the District was unable to provide us with the supporting documentation for that verification of these four students, we expanded our testing to include all six nonresident students reported for the 2013-14 and all five nonresident students reported for the 2014-15 school years. The results of our review of this objective can be found in Finding No. 3 (page 25) of this report.

- ✓ Did the District take actions to ensure it provided a safe school environment?⁴³
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, fire drill documentation, and after action reports. In addition, we conducted on-site reviews at both of the District's school buildings to assess whether the District had implemented basic safety practices.⁴⁴ A portion of the results of our review of this objective can be found in Finding No. 4 (page 28) of this report. Due to the sensitive nature of school safety, the full results of our review of this objective are not described in our audit report. The results of our review of school safety are shared with the District officials, the PDE, and other appropriate agencies.

⁴⁰ The District reported the following vehicles to the PDE: 27 vehicles for the 2013-14 school year, 30 vehicles for the 2015-16 school year, and 34 for the 2016-17 school year.

⁴¹ The District reported 188 charter school students transported during the 2013-14 school year, 332 transported during the 2014-15 school year, 381 transported during the 2015-16 school year, and 357 transported during the 2016-17 school year.

⁴² See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

⁴³ 24 P.S. § 13-1301-A *et seq.*

⁴⁴ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buyout, what were the reasons for the termination/settlement, and did the employment contract(s) comply with the Public School Code⁴⁵ and Public School Employees' Retirement System guidelines?
 - To address this objective, we reviewed the contracts, settlement agreements, board meeting minutes, board policies, and payroll records for two administrators who separated employment with the District during the period July 1, 2013 through June 30, 2017. We reviewed board meeting minutes and board policies to verify the reason for retirement/resignation and that total cost of any settlements were made public through board minutes. Our review of this objective did not disclose any reportable issues.

- ✓ 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?⁴⁶ In addition, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected 10 of the 102 bus drivers transporting District students as of June 6, 2018.⁴⁷ We reviewed documentation to ensure the District complied with the requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

⁴⁵ 24 P.S. § 10-1073(e)(2)(v).

⁴⁶ 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*.

⁴⁷ 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.

Distribution List

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

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