

PERFORMANCE AUDIT

Quakertown Community School District Bucks County, Pennsylvania

June 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. William E. Harner, Superintendent
Quakertown Community School District
100 Commerce Drive
Quakertown, Pennsylvania 18951

Ms. Kaylyn Mitchell, Board President
Quakertown Community School District
100 Commerce Drive
Quakertown, Pennsylvania 18951

Dear Dr. Harner and Ms. Mitchell:

Our performance audit of the Quakertown Community School District (District) evaluated the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2014 through June 30, 2018, 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 Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

May 8, 2020

cc: **QUAKERTOWN COMMUNITY SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Quakertown Community School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2014 through June 30, 2018, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2014-15 through 2017-18 school years.

Audit Conclusion and Results

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

Finding No. 1: The District Inaccurately Reported Nonresident Student Data Resulting in an Overpayment of \$49,891 and Lacked the Required Documentation to Verify an Additional \$260,162 Received in Reimbursement. The District reported a total of 37 students to the Pennsylvania Department of Education (PDE) as nonresident foster students for the 2014-15 through 2017-18 school years. The District was reimbursed \$319,193 based on the reported information. We found that the District had adequate supporting documentation for only one of the nonresident foster students. Of the other 36 nonresident foster students reported to PDE, we were able to conclude that 5 were inaccurately reported and the District was overpaid \$48,891. The remaining 31 students reported to PDE lacked the required supporting

documentation for us to conclude on the accuracy of the reported residency status. The District was reimbursed \$260,162 for these 31 students, and we could not confirm the accuracy of the reimbursements received. In addition, the District may not have received the full reimbursement it was entitled to because it failed to determine if the District's career and technical school reported nonresident foster students accurately to PDE (see page 7).

Finding No. 2: The District Inaccurately Reported the Number of Students Transported to PDE Resulting in a Net Overpayment of \$33,291. The District was overpaid a net total of \$33,291 in transportation reimbursements from PDE. This overpayment was due to the District inaccurately reporting the number of students transported by the District during the 2014-15, 2015-16, 2016-17, and 2017-18 school years (see page 11).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2018-19 School Year ^A	
County	Bucks
Total Square Miles	72.3
Number of School Buildings	8 ^B
Total Teachers	347
Total Full or Part-Time Support Staff	242
Total Administrators	24
Total Enrollment for Most Recent School Year	5,209
Intermediate Unit Number	22
District Career and Technical School	Upper Bucks Technical School

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

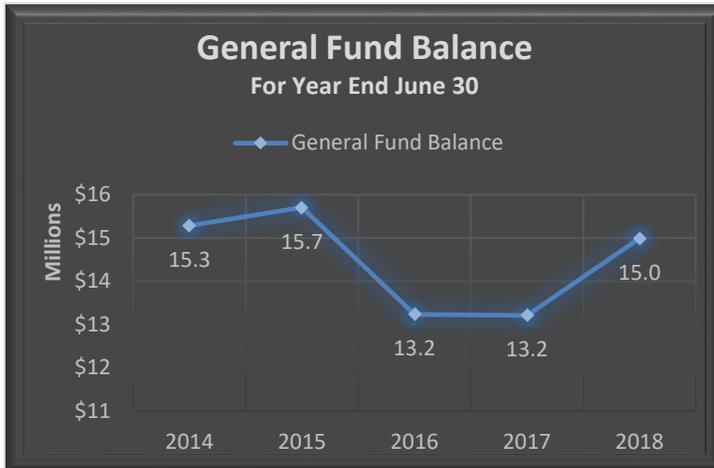
B - The Tohickon Valley Elementary School closed after the 2017-18 school year. Academic data is presented for that building in this report.

Mission Statement^A

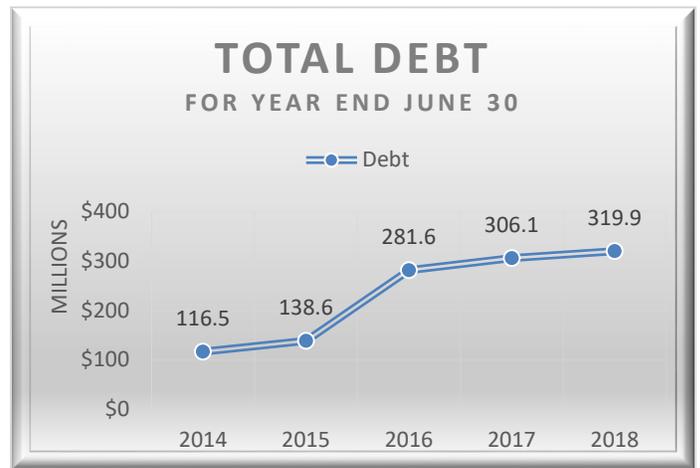
To prepare all students with the knowledge, habits, and skills they need to graduate ready for college or career and for engaged citizenship, all at the best value to our community.

Financial Information

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

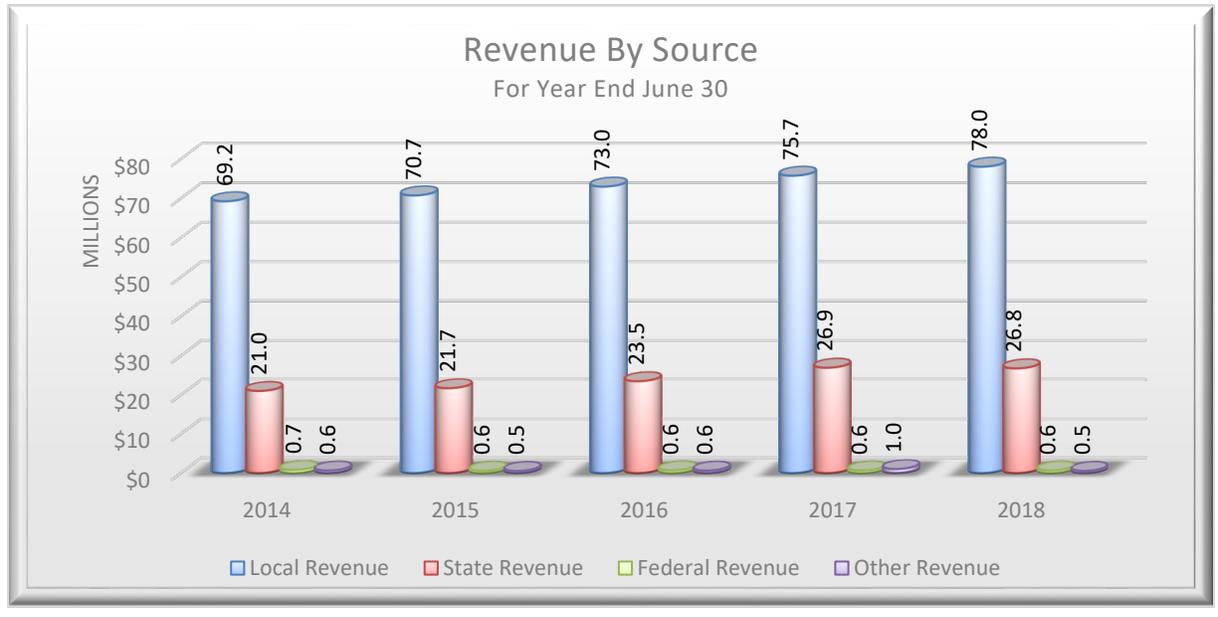
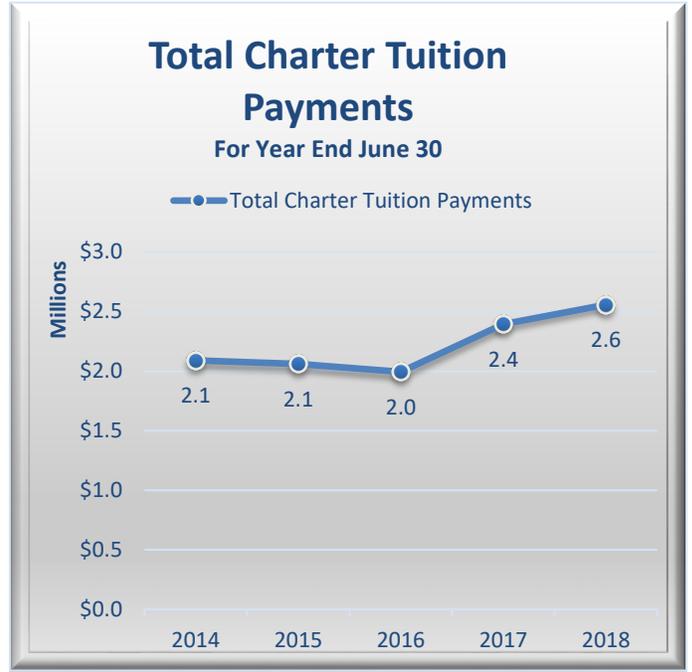
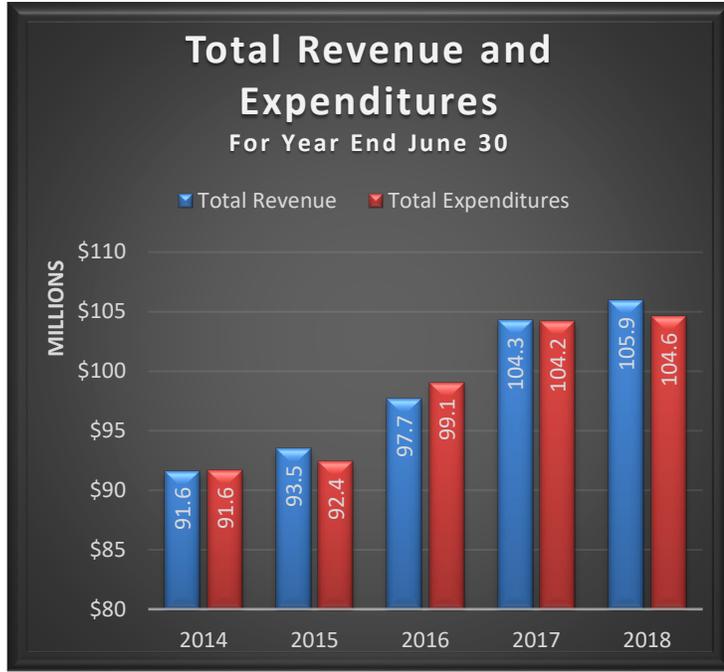


Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

Financial Information Continued

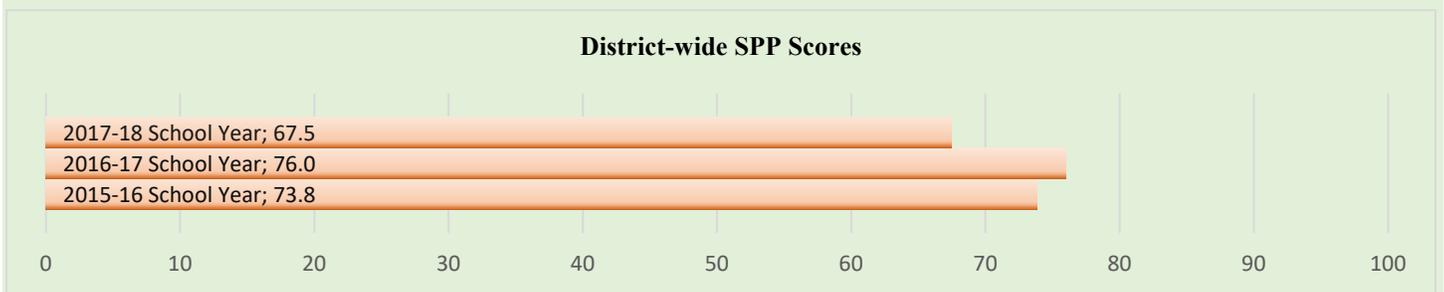


Academic Information

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, Keystone Exam results, and 4-Year Cohort Graduation Rates for the District obtained from PDE's data files for the 2015-16, 2016-17, and 2017-18 school years.¹ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

What is a SPP score?

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



¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publicly available website.

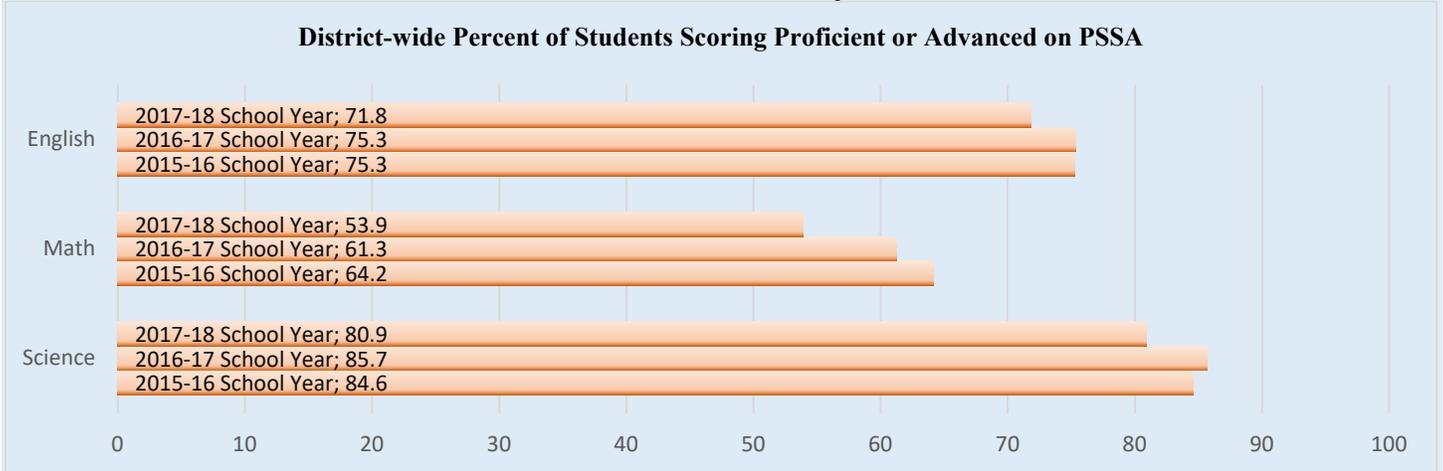
² PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle scores were put on hold due to changes with PSSA testing. PDE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

Academic Information Continued

What is the PSSA?

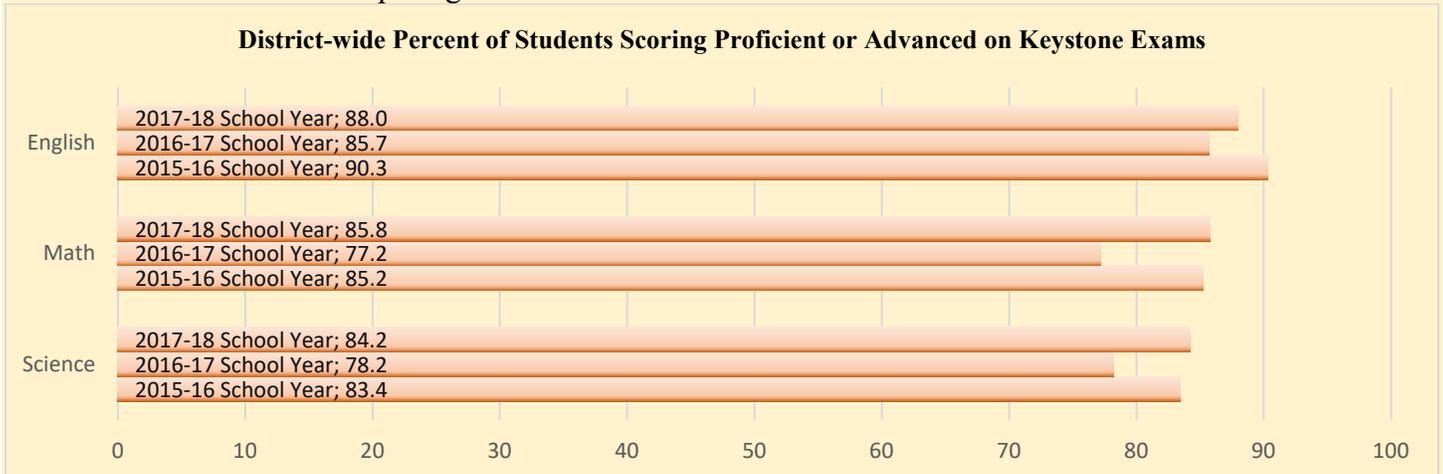
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders,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

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



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.³ 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.

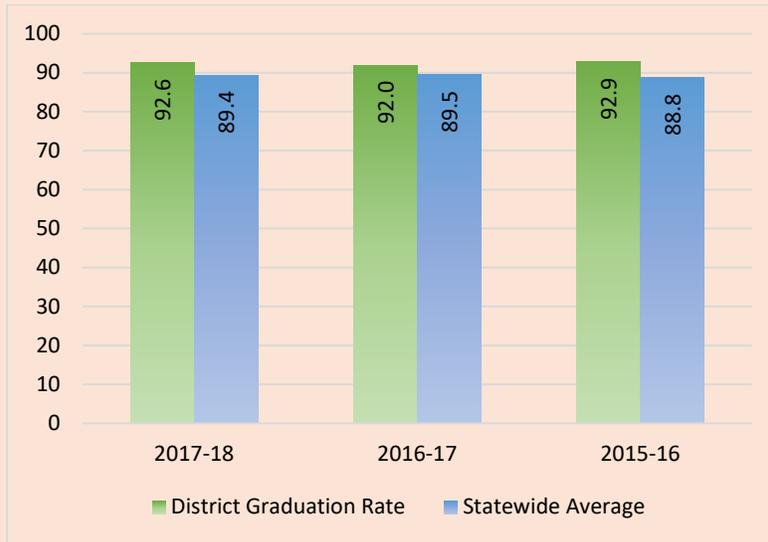


³ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1).

Academic Information Continued

What is a 4-Year Cohort Graduation Rate?

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



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

Findings

Finding No. 1

The District Inaccurately Reported Nonresident Student Data Resulting in an Overpayment of \$49,891 and Lacked the Required Documentation to Verify an Additional \$260,162 Received in Reimbursement

Criteria relevant to the finding:

The State Board of Education's regulations and the Pennsylvania Department of Education's (PDE) guidelines govern the classifications of nonresident children placed in private homes.

Payment of Tuition

Section 1305(a) of the Public School Code (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 Quakertown Community School District (District) reported a total of 37 students to the Pennsylvania Department of Education (PDE) as nonresident foster students for the 2014-15 through 2017-18 school years.⁵ The District was reimbursed \$319,193 based on the reported information. We found that the District had adequate supporting documentation for only one of the nonresident foster students. Of the other 36 nonresident foster students reported to PDE, we were able to conclude that 5 were inaccurately reported, and the District was overpaid \$48,891. The remaining 31 students reported to PDE lacked the required supporting documentation for us to conclude on the accuracy of the reported residency status. The District was reimbursed \$260,162 for these 31 students, and we could not confirm the accuracy of the reimbursements received. In addition, the District may not have received the full reimbursement it was entitled to because it failed to determine if the District's career and technical school (CTS) reported nonresident foster students accurately to PDE.⁶

School districts are entitled to receive Commonwealth-paid tuition for educating certain 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 the private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.⁷ The district resident must also be compensated for the care of the student.

These students are commonly referred to as "foster students" and it is the mandate of the educating district to obtain the required documentation to correctly categorize and accurately report the number of foster students educated to PDE for reimbursement. As previously stated, the District inaccurately categorized and reported 5 students during the audit period and did not obtain the required documentation to adequately support the categorization and reporting of 31 additional foster students.

⁵ The 37 students reported is a count of students reported rather than an identification of 37 distinct students and likely includes some students being reported in multiple years being counted multiple times.

⁶ Intermediate units, as well as career and technical schools, are responsible for reporting foster students attending their schools to PDE on behalf of the district. Since the district receives the reimbursement for these students, it is critical for the district to ensure accurate reporting.

⁷ For example, the applicable 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).

Per PDE’s Glossary of Terms:
<https://www.education.pa.gov/Teachers%20-%20Administrators/Child%20Accounting/Pages/Glossary-of-Terms.aspx> (accessed 3/10/20)

Resident students are defined to include students who have been adopted or are in pre-adoptive status.

PDE’s definition also states:

“Notwithstanding receipt of any of the above payments, children living in pre-adoptive situations are considered residents of the school district in which their pre-adoptive parents reside.”

Per PDE Form Completion Instructions for Form PDE-4507:
<https://www.education.pa.gov/Documents/Teachers-Administrators/Child%20Accounting/Forms%20and%20Instructions/ChildAcctg%20Instructions%20PDE-4507.pdf> (accessed 3/10/20)

The primary reason for the errors in reporting during the audit period was the District inaccurately reporting students in “pre-adoptive” placements as foster students. Students in “pre-adoptive” placements are considered resident students, not foster students. District officials responsible for categorizing and reporting this data were not aware that pre-adoptive students must be reported as residents. A secondary reason for the errors in reporting was the District’s misidentification of a resident student as a nonresident foster student. This student was placed with relatives living in the District. The placement was not a foster care placement. This student was inaccurately reported as a foster student for the 2014-15, 2015-16, and 2016-17 school years.

There was an array of required documentation lacking for 31 foster students reported to PDE during the audit period. For example, the District reported some of these students for reimbursement without address information for the student’s parent or guardian. Without that information, the District cannot determine the residency status of the student. The District also reported students as foster students eligible for reimbursement without knowing if the foster family was compensated for the student’s care. Furthermore, the District did not annually update records that would confirm if each student continued to meet the criteria to be reported as a foster student.

After our review of the supporting documentation available, we concluded that the District reported a student as a foster student any time the student had contact with a placement agency and did not revisit its classification of the student as a foster student by contacting agencies for updated and/or required documentation. Foster students’ circumstances often change; therefore, it is crucial that the District annually request updated documentation to support its reporting for reimbursement.

Additionally, we found that the District most likely did not receive the full reimbursement it was entitled to receive because the District’s local CTS failed to report foster students educated in its school. In instances where a foster student spends half a day at both the District and CTS, both the District and CTS are responsible for reporting the time spent at each respective school to PDE and the District is reimbursed for the entire day. We found that the District reported foster students enrolled in the CTS, but the CTS failed to report these students. The District did not have adequate procedures in place to ensure the CTS was accurately reporting these students.

The District lacked internal controls over the categorization and reporting of foster student data. The District did not have policies and procedures to assist personnel in accurately identifying foster students and the required documentation needed to support this categorization. The District did not have evidence of an adequate review process when a student was enrolled as a foster student. A District employee other than the employee who categorizes a student as a nonresident foster student should review the

*Criteria relevant to the finding
(continued):*

“Section 1305 of the Pennsylvania Public School Code of 1949 provides for the education of a nonresident child placed in the home of a resident, such resident being compensated for keeping the child. LEAs [local education agencies] should obtain a statement from the placing agency that the foster parent is receiving compensation and retain this information for review by auditors. This information should be updated each school year to verify residency status.”

placement documents supporting this categorization prior to reporting to PDE. All employees involved in the categorization and review process should be adequately trained on PDE’s requirements for nonresident foster students. Finally, the District did not have a procedure in place to ensure that the CTS reported foster students accurately to PDE.

We provided PDE with reports detailing the errors we identified and the students who were not eligible to be reported as foster students. PDE requires these reports to verify the overpayments to the District. The District’s future subsidy reimbursements should be adjusted by \$49,891.

Recommendations

The *Quakertown Community School District* should:

1. Ensure that District personnel responsible for enrolling students and making residency determinations are properly trained on the classifications of nonresident students and the required documentation needed for nonresident foster students.
2. Ensure that a District employee, other than the employee categorizing nonresident foster students, is reviewing nonresident foster student determinations for accuracy.
3. At the end of each school year, reconcile the number of nonresident foster students reported to PDE to individual supporting documentation and ensure that a review of this reconciliation is performed by an employee other than the employee who prepared the reconciliation.
4. Review the preliminary Summary of Child Accounting and Membership Report each year to ensure that other educating entities (e.g., CTS or intermediate unit) have reported foster students accurately on behalf of the District.
5. Develop written policies and procedures pertaining to the accurate reporting of nonresident foster students.

The *Pennsylvania Department of Education* should:

6. Adjust the District’s allocation to correct the overpayment of \$49,891.

Management Response

The District provided the following response.

“The overpayment of \$49,891 was the result of the incorrect reporting of a pre-adoptive student as a foster student. The student should have been reported as a resident student due his/her pre-adoptive status. This

incorrect classification spanned more than one school year, resulting in the overpayment of \$49,891. District records have been corrected.

Current district practice has been for the child accounting preparer to query the student information system for any non-resident students educated within the District. Requests for documentation are then sent to the appropriate building secretary, as the student's permanent records are housed at the building and not centrally. This documentation is relied upon to prepare the annual child accounting report.

Going forward, the district will alter its procedures in regards to non-resident students, specifically, Section 1305 students. A form will be developed and sent annually to placement agencies asking specifically for: Name of nonresident student, name and address of foster parents, date of placement, names and addresses of biological parents (to document that the biological parents do not reside in QCSD) and proof of stipend being paid to foster parents. This documentation will be retained with the annual child accounting documentation.

Also, the residency status of all students attending the vocational technical school will be compared to District records to ensure that the vocational technical school is properly reporting the residency or non-residency of the students that are reported on our behalf.”

Auditor Conclusion

We are pleased that the District plans to alter its procedures in regard to nonresident foster students and place more emphasis on accurately reporting these students. We continue to recommend that the District implement review and reconciliation procedures over the reporting of nonresident foster students and implement specific review procedures to ensure that the District's CTS and intermediate unit are accurately reporting nonresident foster students on behalf of the District. We will evaluate the effectiveness of all corrective actions implemented by the District during our next audit of the District.

Finding No. 2

The District Inaccurately Reported the Number of Students Transported to PDE Resulting in a Net Overpayment of \$33,291

Criteria relevant to the finding:

Student Transportation Subsidy

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

Total Students Transported

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

The District was overpaid a net total of \$33,291 in transportation reimbursements from PDE. This overpayment was due to the District inaccurately reporting the number of students transported by the District during the 2014-15, 2015-16, 2016-17, and 2017-18 school years.

School districts receive two separate transportation reimbursement payments from PDE. One reimbursement is broadly based on the number of students transported on each vehicle, 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). This reimbursement also takes into consideration the total number of students transported throughout the district in various categories. The other reimbursement is based solely on the number of nonpublic school and charter school students transported (supplemental transportation reimbursement). The issues discussed in this finding pertain to both the District's regular and supplemental transportation reimbursements.

As stated above, regular transportation reimbursement is based in part on the number of students transported. These students fall into multiple reporting categories including public hazardous, public nonhazardous, and nonreimbursable students. Public hazardous students are elementary students residing within 1.5 miles of the respective school they attend or secondary students residing within 2 miles of the respective school they attend who also live on a the Pennsylvania Department of Transportation (PennDOT) determined hazardous walking route. Public nonhazardous students are elementary students who reside more than 1.5 miles from their respective school and secondary students who reside more than 2 miles from their respective school. Nonreimbursable students are students that the District transports despite these students not being eligible for transportation services according to PDE guidelines.⁸ Districts can choose to transport nonreimbursable students, but if transported the district receives a reduced regular transportation reimbursement from PDE compared to if the students were reimbursable.

⁸ Nonreimbursable students are defined as elementary students residing less than 1.5 miles from the school and secondary students residing less than 2.0 miles from the school, excluding special education and career and technical students, as well as students who live on a PennDOT defined hazardous walking route.

Criteria relevant to the finding (continued):

Sworn Statement and Annual Filing Requirements

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

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment; withholding” states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year. . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied with the law or regulations of the State Board of Education.” (Emphasis added.)

According to the Public School Code (PSC), a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.⁹ 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, which refers to Section 2509.3 of the PSC.¹⁰

It is also important to note that the PSC requires that all school districts must annually file a sworn statement of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. The Quakertown Community School District completed this sworn statement for all four school years discussed in this finding. It is essential that the District accurately report transportation data to PDE and retain the support for this transportation data. Further, the sworn statement of student transportation data should not be filed with the state Secretary of Education unless the data has been double-checked for accuracy by personnel trained on PDE’s reporting requirements. An official signing a sworn statement must be aware that by submitting the transportation data to PDE, he/she is asserting that the information is true and that they have verified evidence of accuracy.¹¹

The following table summarizes the District’s student transportation reporting errors by school year.

Quakertown Community School District Number of Students Transported Reporting Errors					
School Year	Public Nonhazardous Students (Under) Reported	Public Hazardous Students Over Reported	Non-Reimbursable Students (Under) Reported	Nonpublic Students Over/(Under) Reported	Charter School Students (Under) Reported
2014-15	(306)	156	(11)	(31)	-
2015-16	(231)	95	(10)	(34)	-
2016-17	(347)	110	(18)	20	(5)
2017-18	(263)	105	(20)	(16)	-
Total	(1,147)	466	(59)	(61)	(5)

⁹ See Section 922.1-A(b) (relating to “Definitions”) of the PSC, 24 P.S. § 9-922.1-A(b).

¹⁰ 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”).

¹¹ Please note that while a sworn statement is different from an affidavit, in that a sworn statement is not typically signed or certified by a notary public but are, nonetheless, taken under oath. See <https://legaldictionary.net/sworn-statement/> (accessed October 28, 2019).

*Criteria relevant to the finding
(continued):*

Supplemental Transportation Subsidy for Nonpublic School 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. § 25-2509.3.

Section 1726-A(a) of the CSL (as 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...”

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

For each year of the audit period, the District relied on its transportation contractor to compile the number of students transported in each category illustrated in the above table. The contractor created a spreadsheet compiling nonpublic school students, charter school students, students residing on a hazardous route, nonreimbursable students, and nonhazardous students transported. However, the contractor only counted students who had morning routes (AM bus). The contractor did not consider those students who did not ride an AM bus, but did ride a bus with afternoon route (PM bus). As a result, all student counts increased when students who rode a PM bus only were counted.

In addition, we noted errors in how the contractor’s software determined which students resided on a hazardous walking route. Students who reside on a PennDOT determined hazardous walking route must also live within 1.5 miles of the elementary school attended or within 2.0 miles of the secondary school attended. We found that some students reported as residing on a hazardous walking route resided beyond the mileage boundaries. This error resulted from a flaw in the contractor’s mapping software. Essentially, the hazardous zones were too large and allowed students who resided beyond the 1.5/2.0 mileage limits to be inaccurately identified as students residing on a hazardous walking route. As a result, the District over reported the number of students residing on a hazardous walking route.

Furthermore, we reviewed documentation to support the number of nonpublic school and charter school students reported to PDE. The failure to count students who rode a PM bus only noted above also led to the underreporting of nonpublic school and charter school students. Additionally, during the 2016-17 and 2017-18 school years, the District inaccurately reported students who were transported to special education facilities as nonpublic school students. This error was more significant than the failure to include PM only riders during the 2016-17 school year; therefore, the District over reported the number of nonpublic school students.

The District employee responsible for reporting transportation data to PDE during the 2016-17 and 2017-18 school years believed it was appropriate to report students transported to special education facilities as nonpublic school students. The District was not familiar with PDE’s definition of a nonpublic school student.

The District did not have procedures in place to verify if the number of students compiled by its transportation contractor was accurate prior to the District reporting this data to PDE. No District employee reviewed the contractor compiled transportation data to determine if it was accurate prior to reporting data to PDE. Additionally, the District did not have procedures in place to determine if students classified as residing on a hazardous walking route were actually students who resided within the 1.5/2.0 mile limits set by the PSC.

Criteria relevant to the finding (continued):

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

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

Number of Nonpublic School Pupils Transported – Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that the district is financially responsible to educate is a public pupil.)

Number of Public School Pupils Transported because of hazardous walking conditions – The number of resident public school pupils transported to and from school because of certified hazardous walking routes. This figure should include only those pupils who live within 1.5 miles of the elementary school or within 2 miles of the secondary school in which they are enrolled.

The following table shows the effect of the reporting errors on the District’s regular and supplemental transportation reimbursements.

Quakertown Community School District Transportation Reimbursement Overpayments		
School Year	Regular Transportation Overpayment	Supplemental Transportation Over/(Under)payment ¹²
2014-15	\$17,395	\$(11,935)
2015-16	\$ 9,620	\$(13,090)
2016-17	\$18,158	\$ 5,775
2017-18	\$13,528	\$ (6,160)
Total	\$58,701	\$(25,410)

The District was overpaid a cumulative total of \$58,701 in regular transportation reimbursements during the audit period. This is contrary to what one might expect since the District under reported the total number of reimbursable students during the audit period. When determining the regular reimbursement payments to each district, PDE uses a complex formula that accounts for numerous factors including a district’s aid ratio, the number of students transported in the various categories discussed in this finding, and the number of miles each vehicle travels with and without students.¹³

In this instance, the District received a greater reimbursement related to public hazardous and nonpublic school students than it did for public nonhazardous students due to its low aid ratio. Lowering the number of public hazardous students while increasing the number of public nonhazardous students created an overpayment of regular transportation reimbursements because fewer students are reimbursed at a higher rate and more students are reimbursed at a lower rate. An increase in the number of nonreimbursable students also contributed to the District being overpaid regular transportation reimbursements.

We provided PDE with reports detailing the transportation reporting errors for the 2014-15, 2015-16, 2016-17, and 2017-18 school years. PDE requires these reports to verify the overpayment to the District. The District’s future transportation reimbursements should be adjusted by the amount of the overpayment for these years.

¹² The (under)/overpayment is computed by multiplying the net number of nonpublic and charter school students by \$385.

¹³ Aid Ratio is a measure of local wealth that has been used in several education funding formulas for decades. The measure has a scale of 0.15 to 1, and it reflects the general wealth of the school district based on a school district’s total market value and personal income per student in comparison to the state total market value and personal income per student. A school district with a low aid ratio is relatively wealthy while a high aid ratio reflects low local wealth. <https://www.pasbo.org>

*Criteria relevant to the finding
(continued):*

Number of Nonreimbursable Pupils Transported on Contracted vehicles – If a district transports elementary pupils who reside within 1.5 miles of their school or secondary pupils who reside within 2 miles of their school who are not exceptional children or not required to use a certified hazardous walking route to reach their school, they are nonreimbursable pupils. Pupils who reside as indicated above, but are being transported to/from daycare providers located beyond those distances are still nonreimbursable. The location of their residence is the deciding factor.

Number of Pupils Transported to Charter Schools Outside the District – Number of resident pupils transported outside of district boundaries either to a regional charter school of which the district is a part or to a charter school located within 10 miles of district boundaries.

Recommendations

The *Quakertown Community School District* should:

1. Require a District employee to compile the number of students transported independent from the contractor’s calculations.
2. Implement a procedure to have a District official, other than the employee who computes transportation student data, review the data for accuracy and approve prior to submission to PDE.
3. Ensure personnel in charge of calculating, approving, and reporting student transportation data are trained with regard to PDE’s reporting requirements.
4. Review the transportation data submitted for the 2018-19 school year and revise if necessary.

The *Pennsylvania Department of Education* should:

5. Adjust the District’s future transportation subsidies to resolve the \$33,291 overpayment to the District.

Management Response

District management provided the following response.

“Management does agree with the finding. The errors in reporting of students as hazardous when they should not have been were mostly because of an error in the way that the district boundaries were calculated in the contractor’s software. Most of the errors occurred because of a reclassification of a district building from a freshman center (9th grade students) to a sixth grade center (6th grade students). The reclassification changed the building from a secondary school to an elementary school. The boundaries for a secondary school are 2 miles from the building and the boundaries for an elementary school are 1.5 miles. Students living within the 2 miles (secondary) and 1.5 miles (elementary) should be considered as walkers unless they must walk on a PennDOT certified hazardous route in order to go to and from school. The contractor did not properly correct this within the software when the reclassification of the buildings took place, so students were classified incorrectly. This error in the software has been corrected going forward.

It has been district practice to rely on the detailed records provided by the contractor. Going forward, more review will take place of the documentation provided by the contractor. Also, the transport of non-public students will be reviewed for accuracy. Only students that are transported to non-public schools (tuition paid by parents) will be included

in the non-public data. All other students transported outside of the district (tuition paid by the District) will be reported as public school students.”

Auditor Conclusion

We are pleased that the District intends to take a more active role in reviewing the transportation data before reporting to PDE. We encourage the District to provide training to all employees involved in transportation reporting and for the District to review the transportation data reported for the 2018-19 school year. We will evaluate the District’s corrective actions during our next audit.

Status of Prior Audit Findings and Observations

Our prior Limited Procedures Engagement of the Quakertown Community School District resulted in no findings or observations.

Appendix A: 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,¹⁴ 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, 2014 through June 30, 2018. In addition, the scope of each individual audit objective is detailed on the next page.

The Quakertown Community 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).¹⁵ In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, if applicable, that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

¹⁴ 72 P.S. §§ 402 and 403.

¹⁵ 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, 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, 2014 through June 30, 2018. 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:

- ❖ Nonresident Student Data
- ❖ Transportation Operations
- ❖ Administrator Separations
- ❖ Bus Driver Requirements
- ❖ School Safety

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

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁶
 - ✓ To address this objective, we reviewed documentation for all 37 nonresident students placed in private homes reported to PDE during the 2014-15, 2015-16, 2016-17, and 2017-18 school years. We obtained documentation to verify that the custodial parent and/or guardian was not a resident of the District and that the foster parent received a stipend for caring for the student. We also compared the total days reported to the District's supporting documentation to ensure the District received the proper amount of reimbursement for each student reviewed. The results of this review are noted in Finding No. 1 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?¹⁷
 - ✓ To address this objective, we reviewed the District's calculations for average miles with and without students, average students assigned, and days in service for 10 of 58 randomly selected vehicles reported by the District to PDE during the 2017-18 school year.¹⁸ We obtained District created spreadsheets and odometer readings for the vehicles selected in the test group and reviewed to ensure that average miles traveled with and without students was accurately calculated and reported to PDE.

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

¹⁷ See 24 P.S. §§ 25-2541.

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

- ✓ We also reviewed the number of students transported for the four-year audit period to determine if students were reported in the correct categories which include students who live on the Pennsylvania Department of Transportation (PennDOT) approved hazardous routes, students for whom the District does not qualify for transportation reimbursement, and students who are transported to nonpublic schools or charter schools. The District reported 4,897, 4,895, 4,802, and 4,813 total students for the 2014-15, 2015-16, 2016-17, and 2017-18 school years, respectively in the various categories. We obtained and reviewed the District's PennDOT determined hazardous walking route documentation and student vehicle rosters, and reviewed student address information from the District's routing software to ensure that the total number of students was accurately reported and students were correctly categorized.
 - ✓ Finally, we obtained and reviewed individual requests for transportation for 379 of 1,622 nonpublic school students reported to PDE as transported by the District during the four-year audit period.¹⁹ Our review of this objective is found in Finding No. 2 in this report.
- Did the District ensure that all individually contracted employees who separated employment from the District were compensated in accordance with their contract? Also, did the District comply with the Public School Code²⁰ and the Public School Employees' Retirement System guidelines when calculating and disbursing final salaries and leave payouts for these contracted employees?
 - ✓ To address this objective, we reviewed the contract, board meeting minutes, board policies, and payroll records for the only individually contracted administrator who separated employment from the District during the period July 1, 2014 through December 12, 2019. We also reviewed the Superintendent's goals to ensure they were board approved and evaluated annually. Our review of this objective resulted in no reportable conditions.
 - Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances²¹ as outlined in applicable laws?²²
 - ✓ To address this objective, we reviewed all 81 bus drivers transporting District students as of February 13, 2020. We reviewed documentation to ensure the District complied with the requirements for bus drivers. Our review of this objective resulted in no reportable conditions.
 - Did the District take actions to ensure it provided a safe school environment?²³
 - ✓ To address this objective, we reviewed a variety of documentation including, but not limited to, safety plans, training schedules, anti-bullying policies, fire drill documentation and after action reports to assess whether the District had implemented basic safety practices.²⁴ The results of our

¹⁹ Students selected were based on review of total students and a higher risk of ineligibility. Accordingly, the results of this audit procedure are not and should not be projected to the population.

²⁰ 24 P.S. § 10-1073(e) (2) (v).

²¹ Auditors reviewed the required state, federal and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

²² 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.

²³ 24 P.S. § 13-1301-A *et seq.*

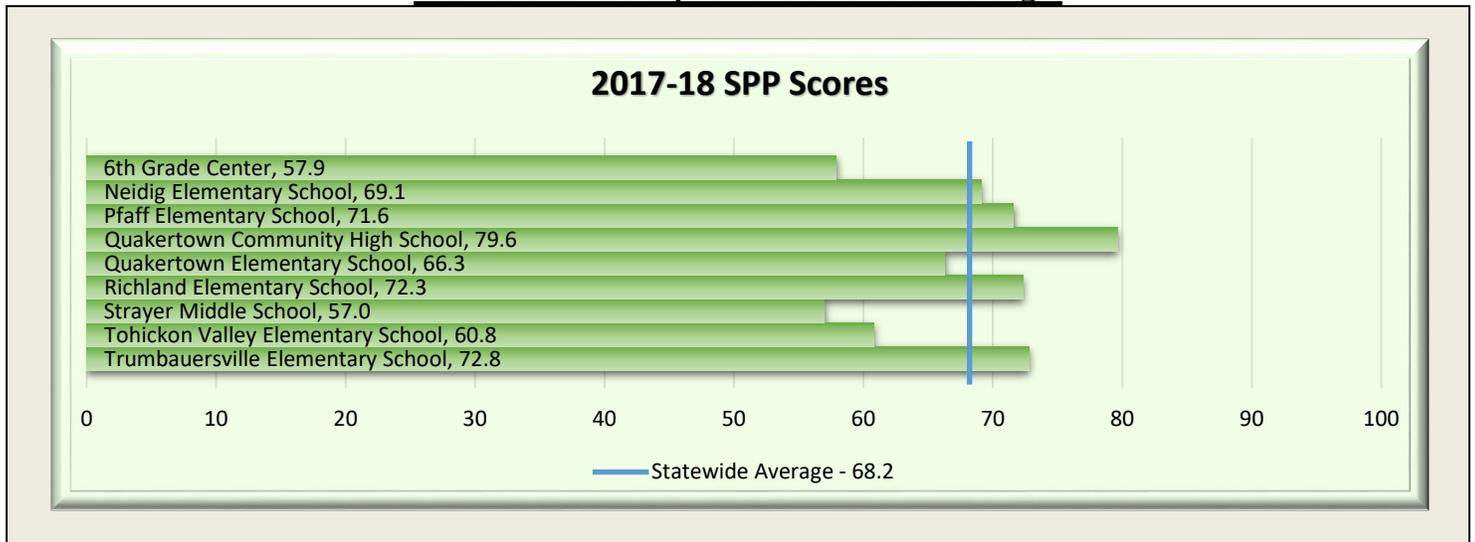
²⁴ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

review of this objective area are not described in our audit report but are shared with District officials, PDE, and other appropriate agencies as deemed necessary.

Appendix B: Academic Detail by Building

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.²⁵ 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.²⁶

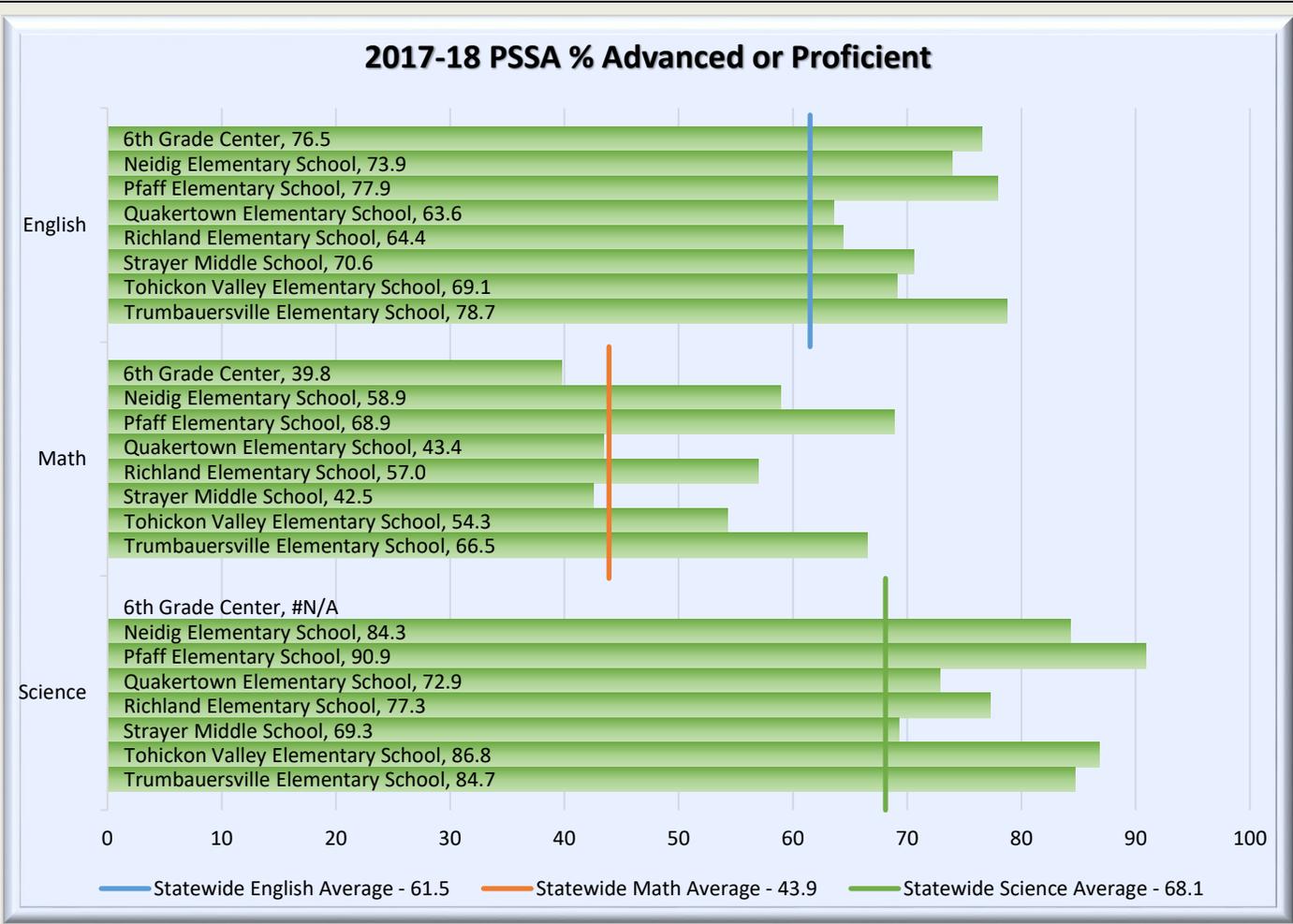
2017-18 Academic Data School Scores Compared to Statewide Averages



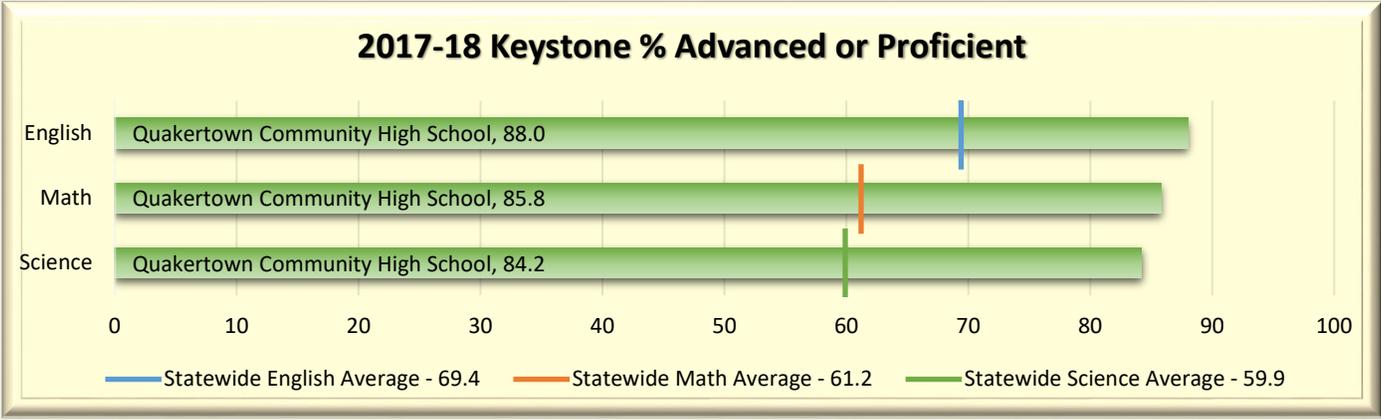
²⁵ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

²⁶ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

2017-18 Academic Data
School Scores Compared to Statewide Averages (continued)

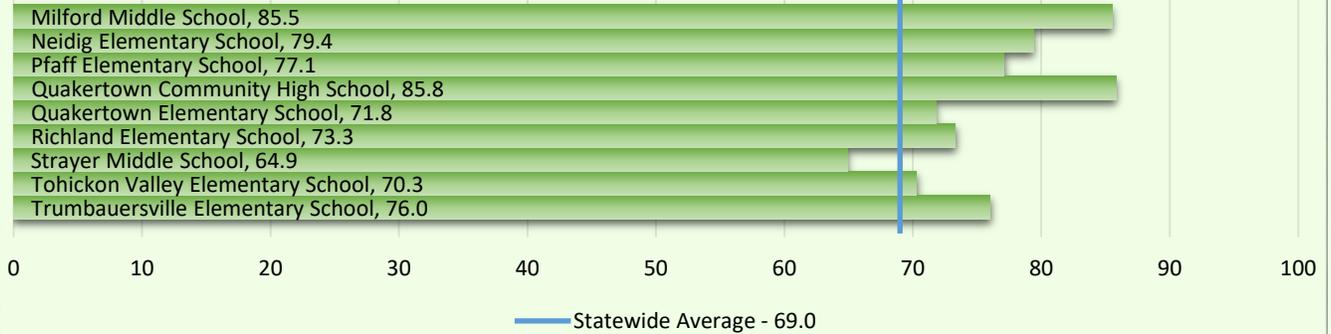


#N/A: Students in grades 4 and 8 are administered the Science PSSAs. The 6th Grade Center is a 6th grade school; therefore, Science PSSAs are not administered to this school's students.

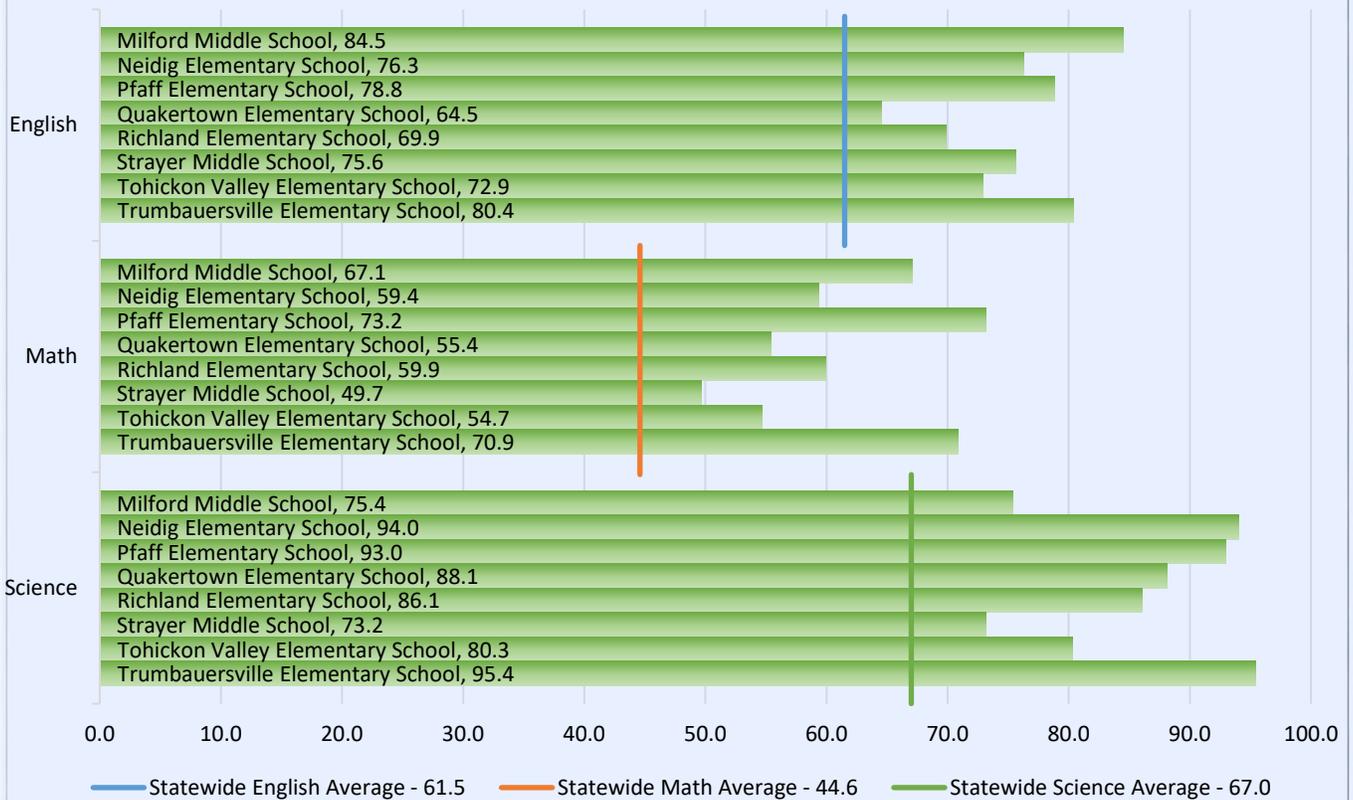


2016-17 Academic Data
School Scores Compared to Statewide Averages

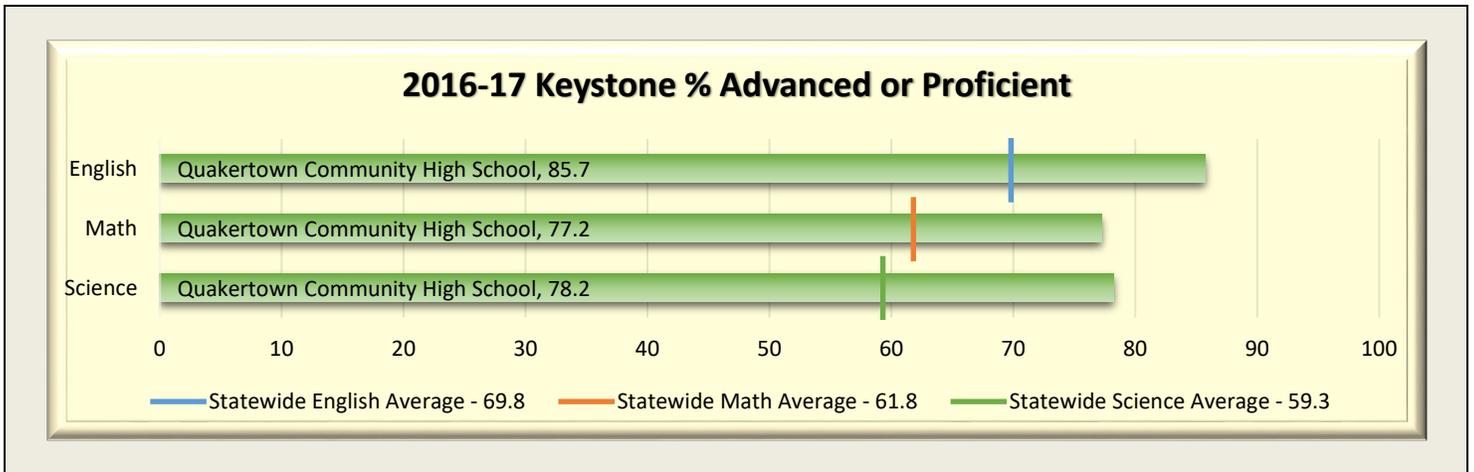
2016-17 SPP Scores



2016-17 PSSA % Advanced or Proficient

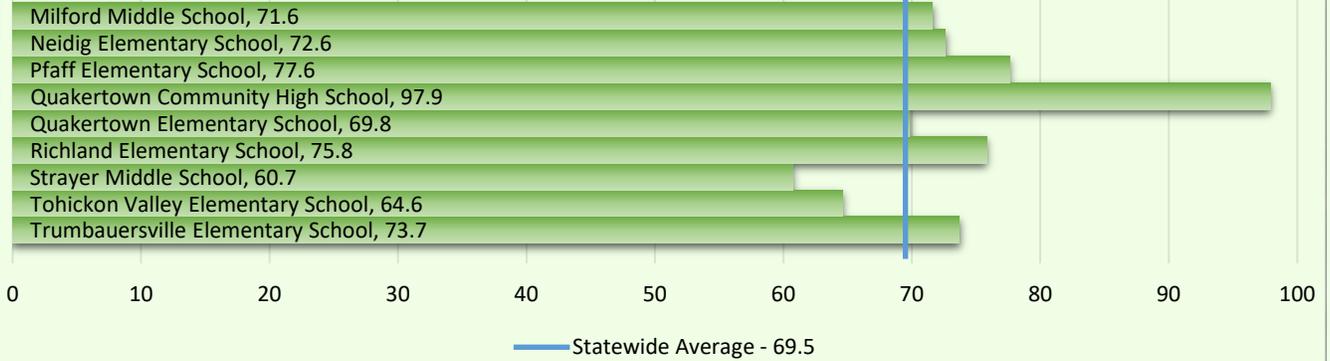


2016-17 Academic Data
School Scores Compared to Statewide Averages (continued)

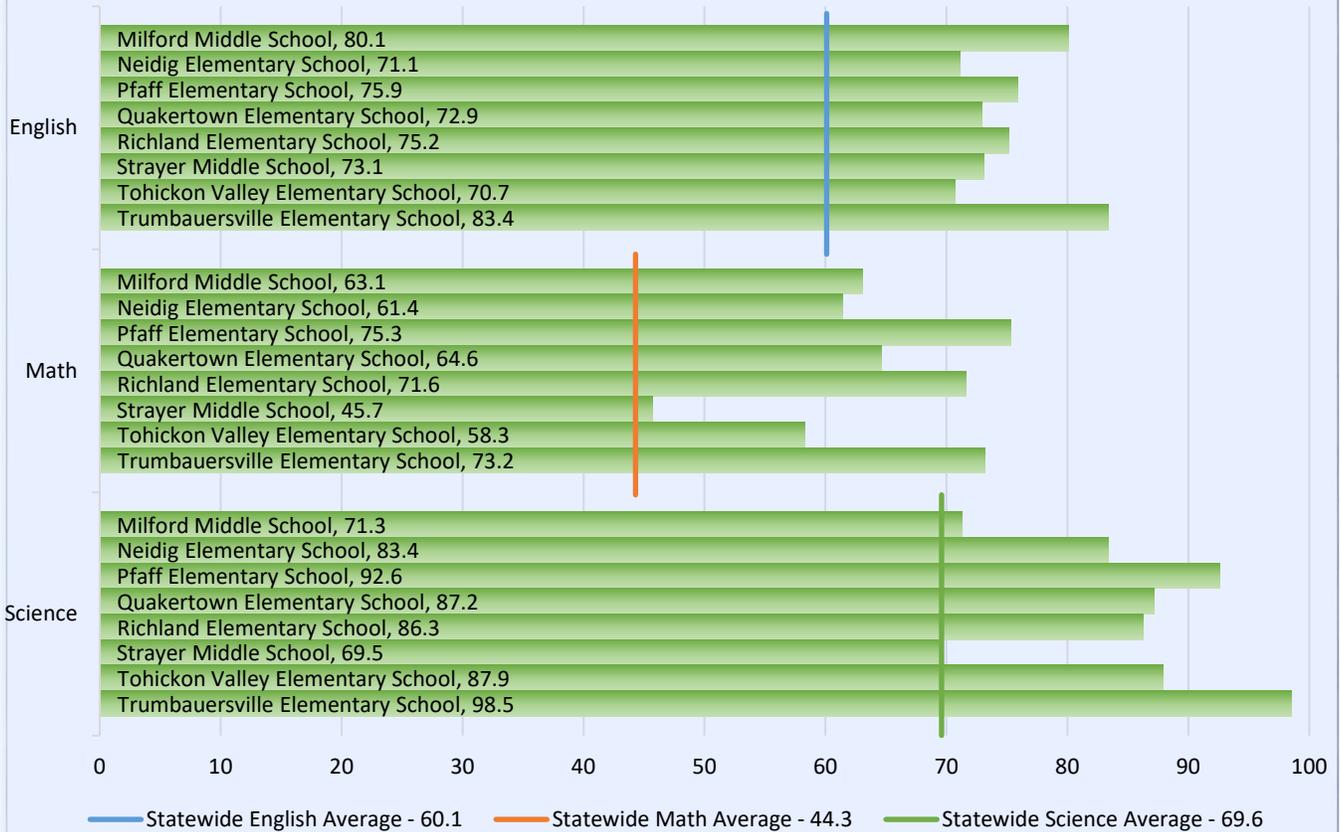


2015-16 Academic Data
School Scores Compared to Statewide Averages

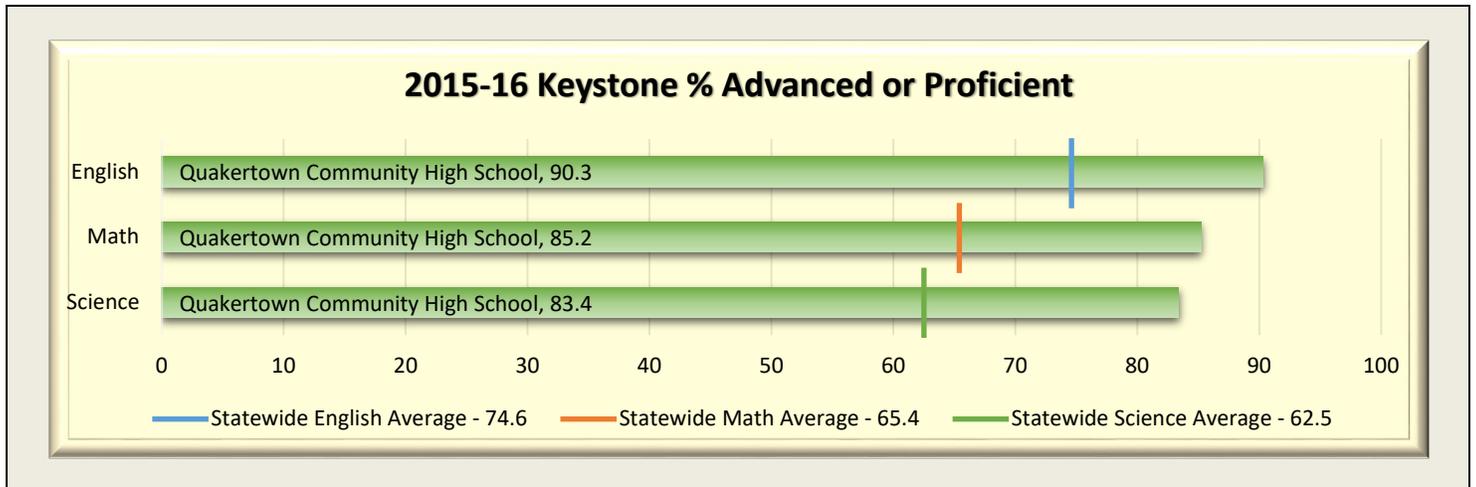
2015-16 SPP Scores



2015-16 PSSA % Advanced or Proficient



2015-16 Academic Data
School Scores Compared to Statewide Averages (continued)



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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