

PERFORMANCE AUDIT

Jeannette City School District Westmoreland County, Pennsylvania

August 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Matthew Jones
Substitute Superintendent
Jeannette City School District
800 Florida Avenue
Jeannette, Pennsylvania 15644

Dr. David J. Valerio Jr.
Board President
Jeannette City School District
800 Florida Avenue
Jeannette, Pennsylvania 15644

Dear Mr. Jones and Dr. Valerio:

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

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

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

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

Sincerely,

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

Eugene A. DePasquale
Auditor General

July 23, 2018

cc: **JEANNETTE CITY 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 Jeannette City 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, and administrative procedures, and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

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

Audit Conclusion and Results

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

Finding No. 1: Former Superintendent's Purchase of Software and Subsequent California Trip with His Wife—Paid for by the Software Vendor—May Have Been in Noncompliance with the Public School Code and Possibly Violated the Ethics Act. Between July 2016 and January 2017, the District's Superintendent, during that time period, purchased math software from a vendor that was not approved by the Board of School Directors and accepted a free trip

to a conference for himself and his wife from the same vendor. This finding addresses potential violations of the *Pennsylvania Public Official and Employee Ethics Act* and the improper procurement of math software without the required majority vote by the school board per the Public School Code (PSC) (see page 9).

Finding No. 2: The District Failed to Retain Required Documentation to Support the More than \$1 Million in Regular Transportation Reimbursements and Incorrectly Reported Transportation Data to PDE, Which Resulted in a \$30,800 Overpayment of Supplemental Transportation Reimbursements. We

found that the District did not comply with the record retention provisions of the PSC due to its failure to retain adequate source documents to verify over \$1 million in regular transportation reimbursements from the Pennsylvania Department of Education (PDE) for the 2012-13 through 2015-16 school years.

Additionally, we found that the District incorrectly reported the number of nonpublic school students transported by the District to PDE, which resulted in overpayments of \$30,800 in supplemental transportation reimbursements (see page 16).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations, we found the District implemented some, but not all, of our recommendations pertaining to internal control weaknesses noted in the reporting of nonresident pupil membership (see page 23).

Background Information

School Characteristics 2015-16 School Year ^A	
County	Westmoreland
Total Square Miles	2
Number of School Buildings	2 ¹
Total Teachers	93
Total Full or Part-Time Support Staff	42
Total Administrators	7
Total Enrollment for Most Recent School Year	1,017
Intermediate Unit Number	7
District Vo-Tech School	Central Westmoreland CTC

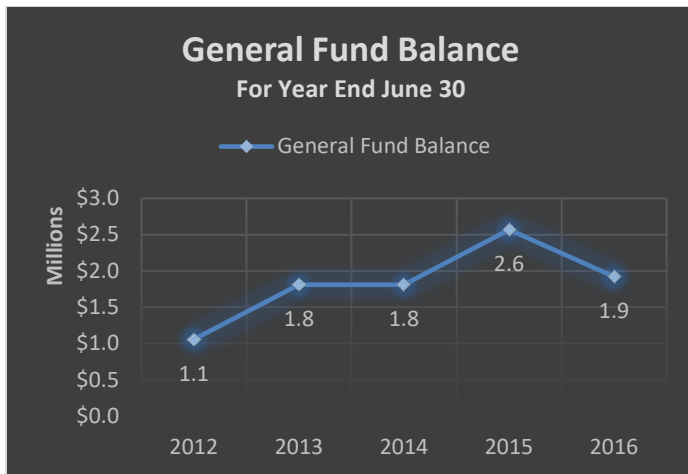
A - Source: Information provided by the District administration and is unaudited.

Mission Statement^A

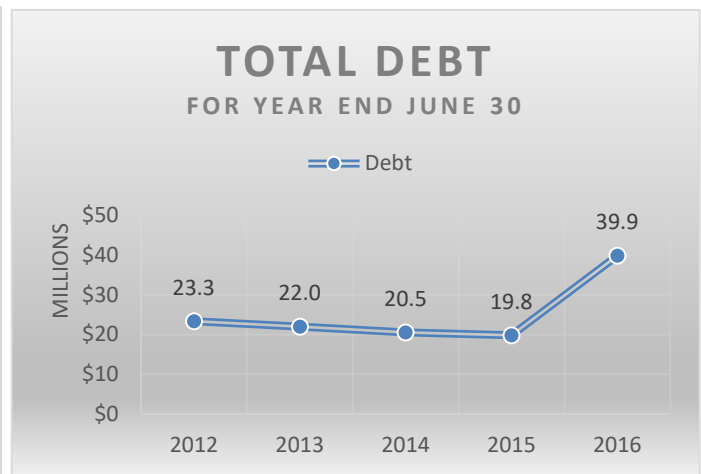
The Jeannette City School District will provide each student an effective, rigorous, quality education in order to become an independent, productive citizen and life-long learner in a global community.

Financial Information

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



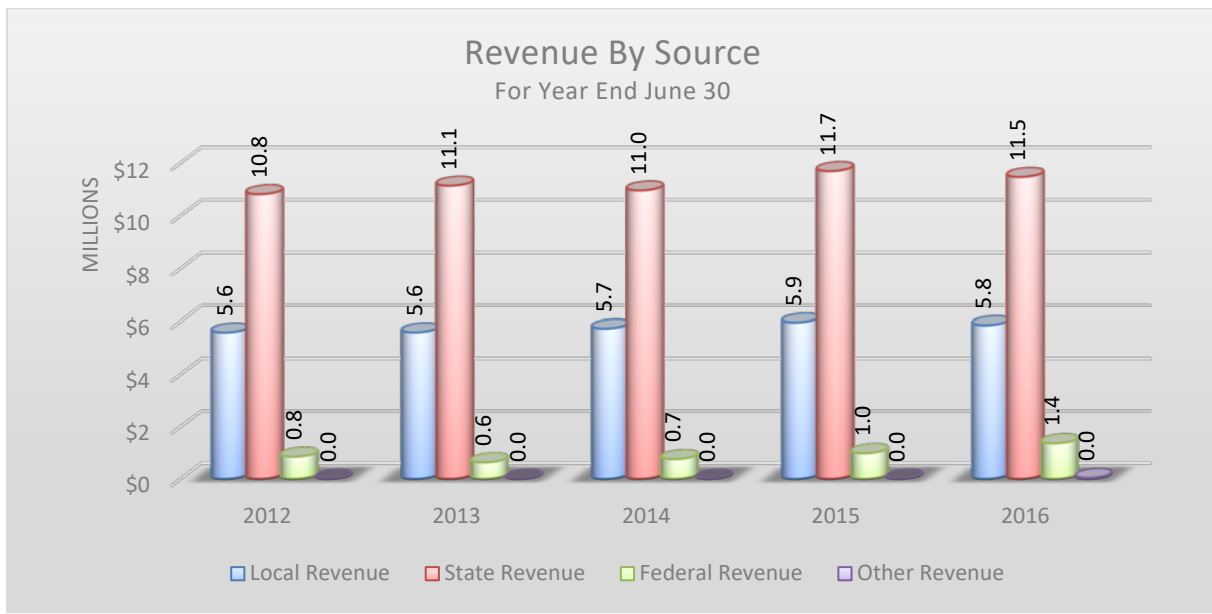
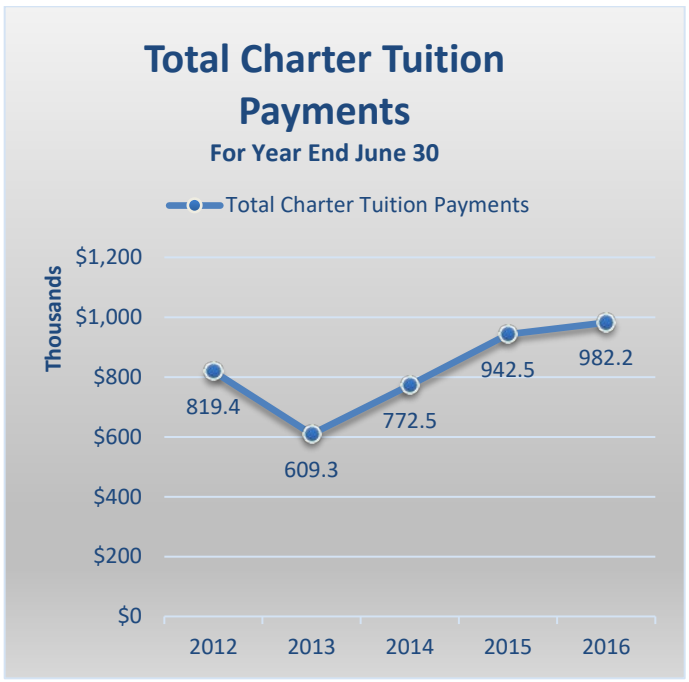
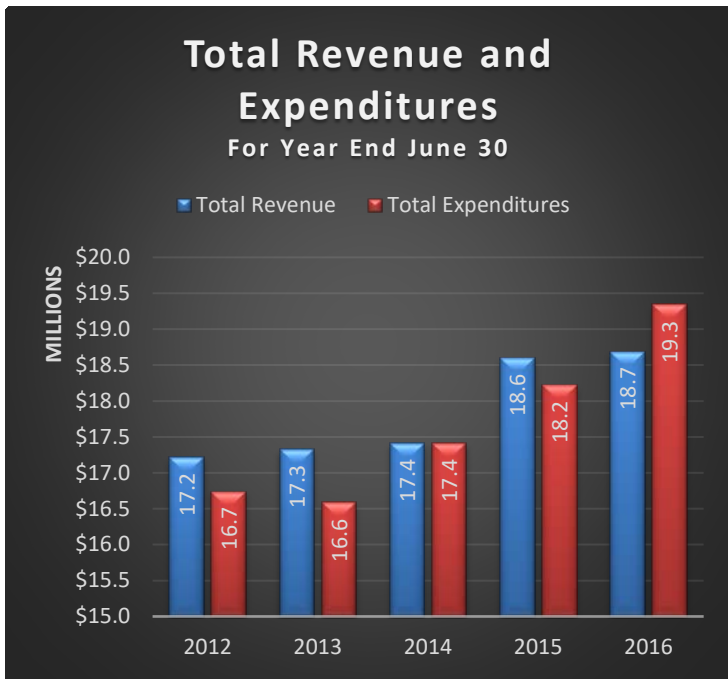
Note: General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



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

¹ The District's middle school and elementary school are in the same building.

Financial Information Continued



Academic Information

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

What is a SPP score?

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

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

What is the 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.

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

³ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

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

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

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁶ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

What is the Keystone Exam?

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

What is a 4-Year Cohort Graduation Rate?

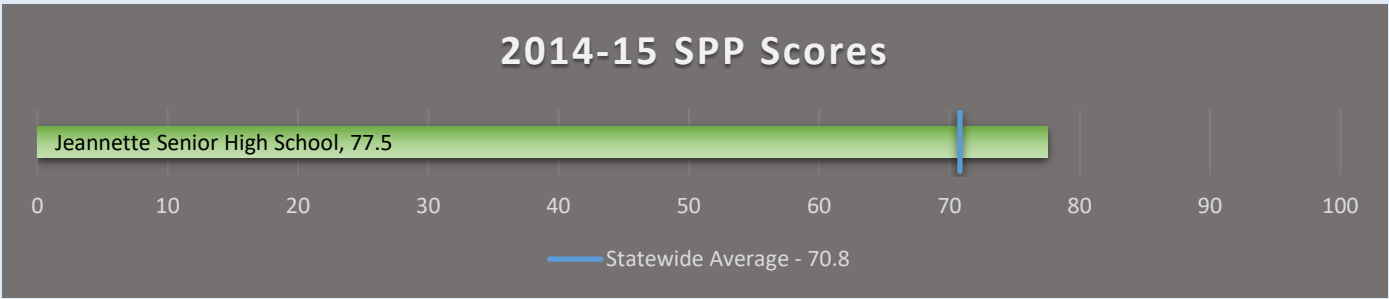
PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph.⁷

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

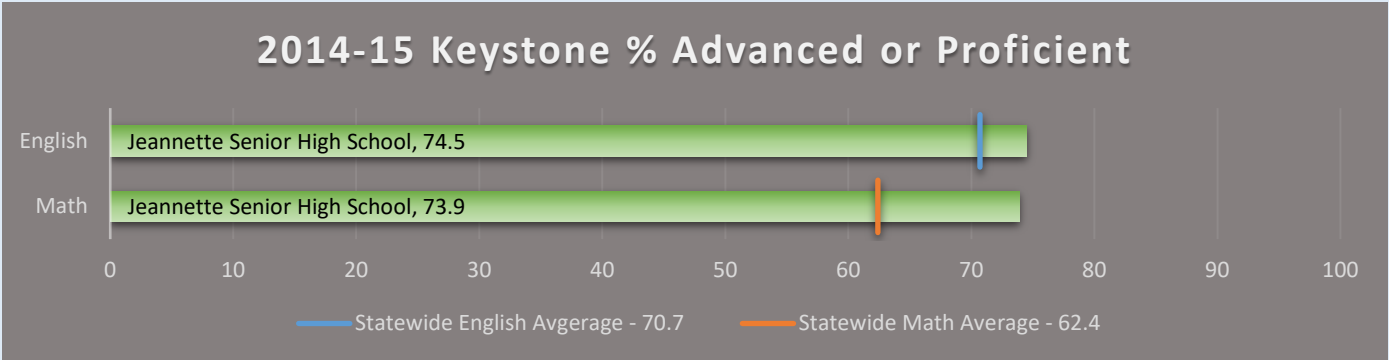
⁷ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>.

2014-15 Academic Data
School Scores Compared to Statewide Averages

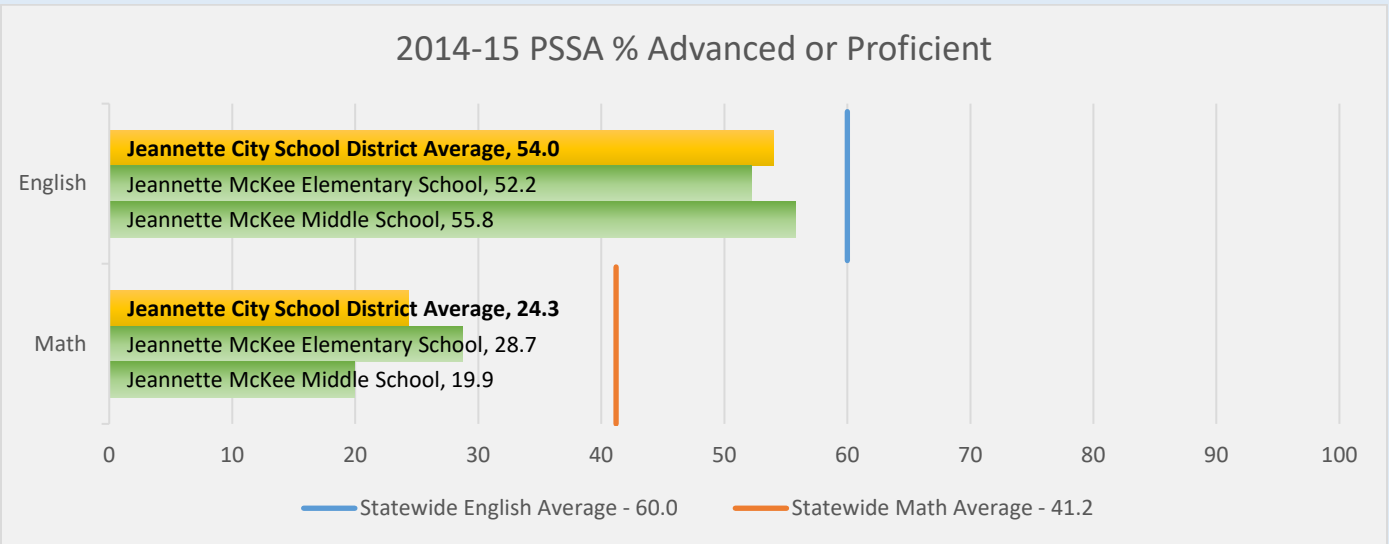
2014-15 SPP Scores



2014-15 Keystone % Advanced or Proficient

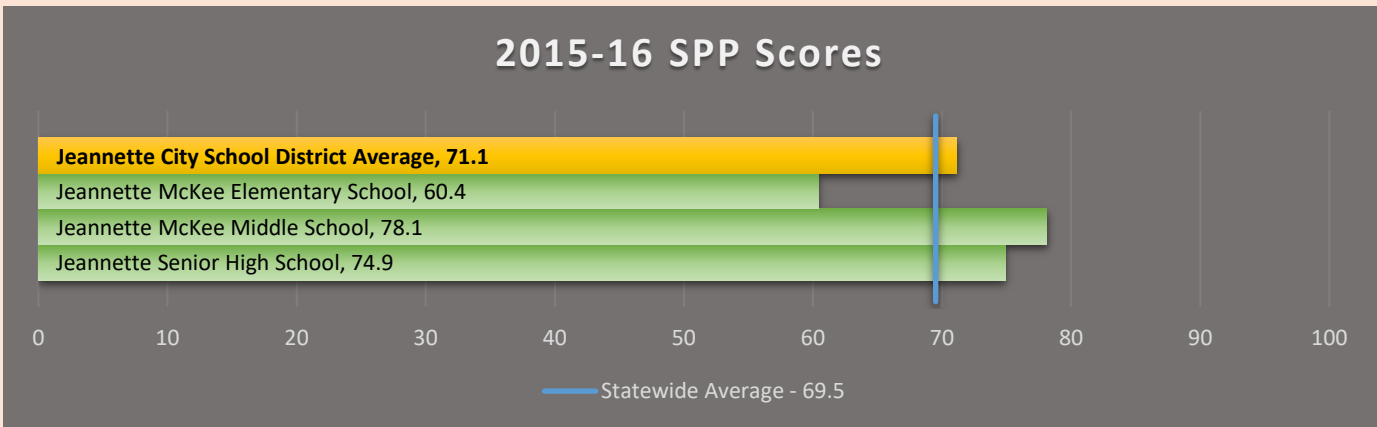


2014-15 PSSA % Advanced or Proficient

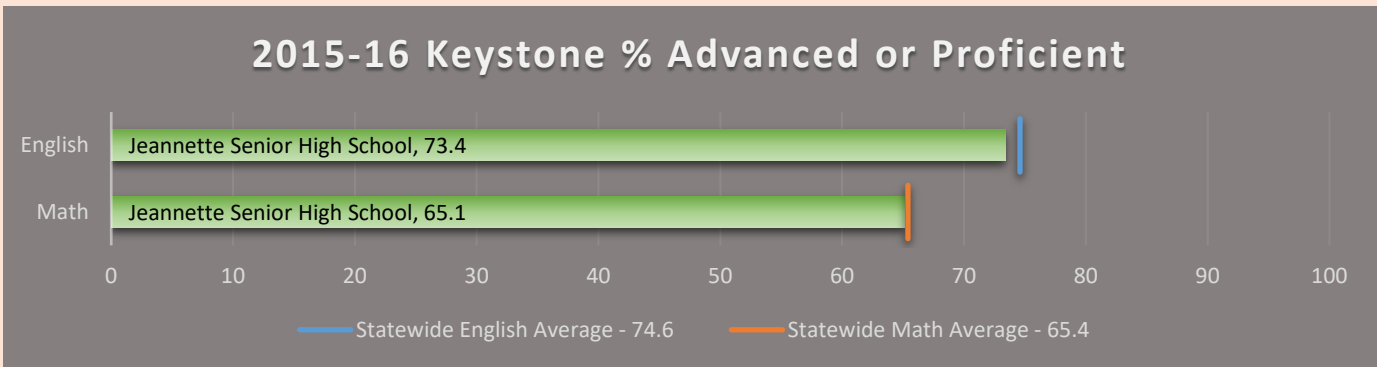


2015-16 Academic Data
School Scores Compared to Statewide Averages

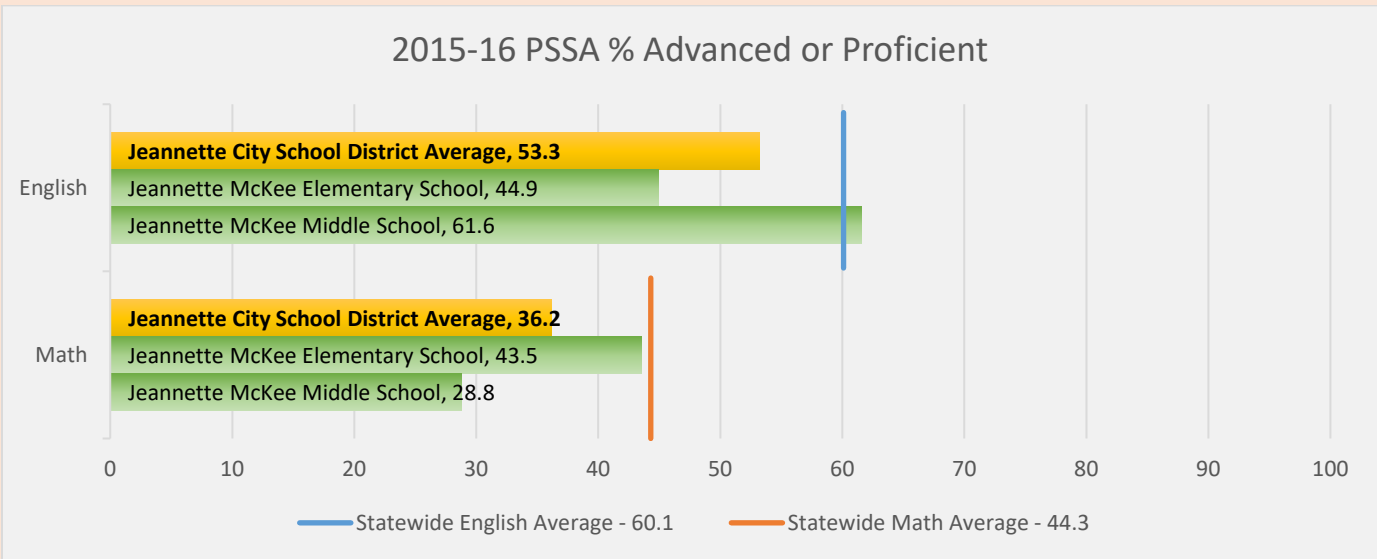
2015-16 SPP Scores



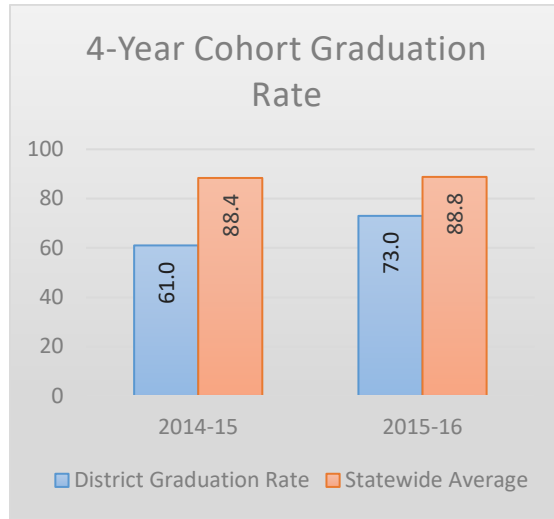
2015-16 Keystone % Advanced or Proficient



2015-16 PSSA % Advanced or Proficient



4-Year Cohort Graduation Rate



Findings

Finding No. 1

Former Superintendent's Purchase of Software and Subsequent California Trip with His Wife—Paid for by the Software Vendor—May Have Been in Noncompliance with the Public School Code and Possibly Violated the Ethics Act

Criteria relevant to the finding:

Section 508 of the Public School Code (PSC) provides, in part: "The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects:--

... Adopting courses of study.

... Failure to comply with the provisions of this section shall render such acts of the board of school directors void and unenforceable." See 24 P.S. § 5-508.

Subsection 1101.1(a) of the Public Official and Employee Ethics Act (Ethics Act) states in part: "The Legislature hereby declares that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust." See 65 Pa.C.S. § 1101.1(a).

Between July 2016 and January 2017, the Jeannette City School District's (District) Superintendent, during that time period, unilaterally purchased math software from a vendor that was not approved by the Board of School Directors (Board) and accepted a free trip to a conference for himself and his wife from the same vendor.⁸ This finding addresses potential violations of the *Pennsylvania Public Official and Employee Ethics Act* (Ethics Act) and the improper procurement of math software in noncompliance with the *majority vote required* provision of the PSC.⁹ Figure 1 below provides a timeline highlighting the improper purchase of math software and the coinciding free trip to Irvine, California.

⁸ The District's Superintendent during this period separated employment from the District on April 3, 2018, after being on extended leave since September 24, 2017, and is referred to as the former Superintendent in this finding.

⁹ 24 P.S. § 5-508; 65 Pa.C.S. § 1101 *et seq.*

Criteria relevant to the finding
(continued):

Section 1102 of the Ethics Act (relating to Definitions) states, in part:

“Conflict” or “conflict of interest.” Use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.

“Immediate family.” A parent, spouse, child, brother or sister. *See* 65 Pa.C.S. § 1102.

Section 1103 of the Ethics Act (relating to Restricted activities) states, in part:

(a) Conflict of interest.--No public official or public employee shall engage in conduct that constitutes a conflict of interest.

(b) Seeking improper influence.--No person shall offer or give to a public official, public employee or nominee or candidate for public office or a member of his immediate family or a business with which he is associated, anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment based on the offeror’s or donor’s understanding that the vote, official action or judgment of the public official or public employee or nominee or candidate for public office would be influenced thereby.

Figure 1

Jeannette City School District Timeline of Superintendent’s Math Software Purchase & Free Conference Trip with Wife to Irvine, California	
July 7, 2016	Former Superintendent authorizes purchase of math software for \$4,350 without required Board approval.
August 29, 2016	First Day of School.
November 2016	Former Superintendent instructs elementary principal to implement the software, but two math software programs are already in use, and the new software is never used.
January 4, 2017	Former Superintendent and a “district guest” are invited to a math conference in Irvine, California, sponsored and paid for by the math software vendor.
January 16, 2017	Board approves a list of officials and employees to travel to conferences/meetings (including the travel for the former Superintendent and his wife, as the district guest, to the math conference).
January 25 – 27, 2017	Former Superintendent and his wife go to the conference in California. Their airfare and hotel accommodations are paid for by the math software vendor.

Possible Conflict of Interest

In January 2017, the former Superintendent and his wife traveled together to Irvine, California, to attend a conference, which was held from January 25 to January 27, 2017. The title of the conference was “Visual Math Summit: Equipping a Generation of Math Superheroes.” According to a January 4, 2017, email invitation from the conference host, the former Superintendent was invited to the conference and also was invited to bring a “district guest.”¹⁰

Rather than bringing a math instructor or another administrator involved in the development of math curriculum, the former Superintendent brought his wife, who was employed by the District as a classroom assistant.

¹⁰ Senior Partnership Manager of Mind Research Institute, “You’re invited – Visual Math Summit: Equipping a Generation of Math Superheroes,” email message: January 4, 2017.

*Criteria relevant to the finding
(continued):*

(c) Accepting improper influence.--

No public official, public employee or nominee or candidate for public office shall solicit or accept anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment, based on any understanding of that public official, public employee or nominee that the vote, official action or judgment of the public official or public employee or nominee or candidate for public office would be influenced thereby. *See* 65 Pa.C.S. § 1103(a)-(c).

Jeannette City School District Board Policy No. 107, “Adoption of Planned Instruction,” states, in part:

No planned instruction shall be taught in district schools unless it has been adopted by a majority vote of the full Board. . . . The Superintendent is responsible for the continuous evaluation of the effectiveness of the planned instruction and shall recommend to the Board new courses of study deemed to be in the best interests of district students. The Superintendent shall invite the participation of administrative and professional staff members at the appropriate levels in the formulation of recommendations. The Superintendent shall maintain a current list of all planned instruction offered by this district and shall furnish each Board member with a copy.

According to District officials, her position focused on “English Language Arts and was not responsible for math instruction.”¹¹ The hotel accommodations and the airfare for the couple were paid for by the conference host, which was a vendor of math software.

According to several District officials, the District traditionally did not send classroom assistants, such as the former Superintendent’s wife, to training sessions or conferences, let alone to overnight or out-of-state conferences. Typically, the only professional development opportunities provided to classroom assistants were District in-service days. At its regular meeting on January 16, 2017, however, the Board approved a list of 17 professional development conferences/meetings for approximately a dozen employees, including the former Superintendent’s and his wife’s attendance at the California conference the following week. This meeting was an opportunity for the Board to question the propriety of the trip in general and the nature of the spousal attendance; however, the Board failed to do so and approved the entire list of conference/meeting requests.

The Ethics Act prohibits public officials and employees from realizing personal financial gain through their public office.¹² The former Superintendent and his wife appear to have benefitted personally from their trip together to California for a conference that was not related to the wife’s District employment duties as a classroom assistant.

Even if the former Superintendent’s wife had not accompanied him on the trip to California, the former Superintendent still may have violated the Ethics Act. The trip was paid for by the conference host, a math software vendor—the same vendor who the former Superintendent unilaterally purchased \$4,350 in software from approximately six months before the trip. The software was purchased with public funds outside of any procurement process or Board input. This particular issue is highlighted by the fact that the District was not able to utilize the software because it already had several other comparable programs in place. The former Superintendent compounded the matter when he accepted a trip for himself and his wife

¹¹ Director of Student Services, “Classroom Assistants,” email message: March 16, 2018.

¹² 65 Pa.C.S. § 1103(c).

*Criteria relevant to the finding
(continued):*

Policy No. 611, “Purchases Budgeted,” states, in part:

It is the policy of the Board that when funds are available all purchases contemplated within the current budget and not subject to bid **shall be made in a manner that ensures the best interests of the district.** . . . All purchase order requests must be referred to the Superintendent who shall check whether the material is subject to bid; whether sufficient funds exist in the budget; and **whether the material might be available elsewhere in the district.** (Emphasis added.)

Article IV of the former Superintendent’s contract, Section 4.01, Duties of the District Superintendent and Relationship with Board, states in part:

(a) As Chief Executive Officer, the District Superintendent is responsible for: Planning and initiating programs and policies concerning the organizational, operational and educational functions of the district **as directed by the Board of School Directors with ultimate responsibility for the execution of these programs and policies.** (Emphasis added.)

to a conference paid for by the vendor. This trip was of pecuniary interest to the former Superintendent and an immediate family member—his wife. The trip also raises the issue of an appearance of an improper in-kind exchange between the former Superintendent and the software vendor. The next section discusses the improper purchase of the math software.

Improper Purchase of Math Software

In July 2016, the former Superintendent instructed the business office to purchase math software for the District’s elementary school math program. The software was purchased for \$4,350 and paid for in August 2016. Although the purchase was properly authorized through the District’s purchase order system, it was not pre-approved by the Board. According to the PSC, all such purchases require Board pre-approval.¹³ This is consistent with the District’s Board Policy No. 107, which states, in part:

No planned instruction shall be taught in district schools unless it has been adopted by a majority vote of the full Board The Superintendent is responsible for the continuous evaluation of the effectiveness of the planned instruction and **shall recommend to the Board new courses of study** deemed to be in the best interests of district students.¹⁴ (Emphasis added.)

In addition to Board approval, the Superintendent was required to consult administrative and professional members at appropriate levels in the formulation of recommendations to the Board, as required by Board Policy No. 107.”¹⁵ In this instance, the former Superintendent unilaterally instructed the District to purchase the software without consulting employees in the math department, as required by Board Policy No. 107.

According to District officials, in November 2016, the former Superintendent directed the principal of the District’s elementary school to begin using the new math

¹³ 24 P.S. § 5-508. Section 508 of the PSC, which states that the adoption of courses of study must be approved by “[t]he affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted...”

¹⁴ Jeannette City School District, *Policy Manual*, Section 100, Programs, “Adoption of Planned Instruction,” Number 107, Adopted September 20, 2004, www.boarddocs.com/pa/jean/Board.nsf/Public, Accessed on April 25, 2018.

¹⁵ *Ibid.*

software. However, the principal informed the former Superintendent that the teachers had not received training on this program and were already using two other comparable math programs at this grade level. According to the principal, a few teachers, however, did take a webinar training course with representatives of the math software company. Ultimately, the District never installed the software to be used by students and teachers.

Not only was the purchase of the math software in noncompliance with the PSC and violated the District's own curriculum policy, it also appears to have violated a District finance section policy. Specifically, Board Policy No. 611 states, in part, "[I]t is the policy of the Board that when funds are available all purchases contemplated within the current budget and not subject to bid shall be made in a manner that ensures the best interests of the district." The policy also requires the Superintendent to check whether the proposed purchase is subject to bid, whether sufficient funds exist in the budget, and whether the material might be available elsewhere in the District.¹⁶

In this case, the former Superintendent unilaterally decided to purchase the new math software in July 2016. Then in November 2016, when the school year was well underway, he instructed the elementary school principal to use the math software, but the elementary school was already using two other math software programs. Therefore, the purchase by the former Superintendent, without first getting Board approval and consulting other District officials and math teachers, resulted in a waste of public funds.

Conclusion

The former Superintendent unilaterally decided to purchase math software for \$4,350 that was never used by the District. Months later, he took a free trip with his wife to Irvine, California, for a conference sponsored and paid for by the software vendor. He did not follow District policies governing finance and curriculum. Since the former Superintendent was a public official and his wife was a public employee and subject to the Ethics Act, they both appear to have violated it by accepting pecuniary benefits from a District vendor. Further, the Board, in approving the

¹⁶ Jeannette City School District, *Policy Manual*, Section 600, Finances, "Purchases Budgeted," Number 611, Revised June 23, 2014, www.boarddocs.com/pa/jean/Board.nsf/Public, Accessed on March 15, 2018.

trip for this couple, failed in its governance duty to prevent such violations. In the end, the trip was free for the husband and wife, but the unused \$4,350 software, was not free, and that cost was borne by the public, resulting in a waste of public funds.

Recommendations

The *Jeannette City School District* should:

1. Consider whether to establish a policy governing travel for conferences and training offered by current or potential vendors. This policy should ensure that District officials comply with the Ethics Act in order to reduce the incentive to purchase materials or services while deriving a personal or professional pecuniary benefit, especially when it does not actually benefit the District. In addition, travel to conferences and meetings should be restricted to those that are actually relevant to the administrator's or an employee's specific area(s) of work.
2. Establish a procedure requiring employees and senior administrators who are requesting travel to attend conferences in- or out-of-state to attest in writing whether the travel is in connection to any purchases of goods or services that they have authorized. This disclosure should be made to the Board prior to its review and approval of such travel requests.
3. Require its Board to more carefully review travel and conference requests made by the District's senior administrators and any immediate family members of senior administrators. This could include a procedure such as an officer of the Board initialing all individual out-of-state travel requests.
4. Modify its purchase order process to require dual authorization of any curriculum purchases, with one of those authorizations being from an educator or official who is directly involved in the development or delivery of the specific curriculum area. The other authorization should come from business office staff responsible for ensuring the purchase is in accordance with approved budgets and any other finance policies. This modification would help to ensure compliance with both the District's curriculum and finance policies.

5. Ensure that all adoptions of courses of study be approved by “. . . an affirmative vote of a majority of all the members of the board of school directors . . . duly recorded, showing how each member voted . . .” in accordance with the PSC and District policy.

This finding will be referred to the State Ethics Commission.

Management Response

District management provided the following response:

Former Superintendent no longer works in the school district. New administrative team is in place. Any/All conferences require prior approval by the school board.

Any purchases not part of the original operational budget must be approved by both the Business Manager and Superintendent prior to being submitted to the school board for final approval going forward.

Since the change of administrative structure, all professional development workshop/conferences must align with the school district’s comprehensive plan or annual initiatives.

All district staff at the conclusion of their respective workshop/conference must provide a summary report of the events and topics covered to the Superintendent and board of directors at a subsequent school board meeting.

Auditor Conclusion

We are encouraged that the District has taken steps to improve the controls governing administrative travel and strengthened purchasing requirements. We will determine the effectiveness of this and any additional corrective actions during our next audit of the District.

Finding No. 2**The District Failed to Retain Required Documentation to Support the More than \$1 Million in Regular Transportation Reimbursements and Incorrectly Reported Transportation Data to PDE, Which Resulted in a \$30,800 Overpayment of Supplemental Transportation Reimbursements***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).

We found that the District did not comply with the record retention provisions of the PSC due to its failure to retain adequate source documents to verify over \$1 million in regular transportation reimbursements from the Pennsylvania Department of Education (PDE) for the 2012-13 through 2015-16 school years.

Additionally, we found that the District incorrectly reported the number of nonpublic school students transported by the District to PDE, which resulted in overpayments of \$30,800 in supplemental transportation reimbursements.

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

Without proper documentation, we were unable to determine the appropriateness of the regular 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 requirements of the PSC and be readily available for audit.

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 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.) Id.

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.

Supplemental Transportation Subsidy for Nonpublic Students

Section 2509.3 of the PSC provides that each school district shall receive a supplemental transportation payment of \$385 for each nonpublic school student transported. *See* 24 P.S. § 25-2509.3.

Lack of Supporting Documentation for Regular Transportation Reimbursement Received

Regular transportation reimbursement received by a District is based on several components that are reported by the District to PDE for use in the calculation of the yearly reimbursement amount. These components include, but are not limited to, the following:

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

As evidenced by the components listed above, the number of students transported, miles driven, and number of days students are transported are the basis for calculating the yearly reimbursement amount. Therefore, it is essential for districts to document, verify, and retain odometer readings, student rosters, and changes that 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. Table 1 below shows the student and vehicle data reported to PDE and the total reimbursement received for each school year.

Table 1

Jeannette City School District Transportation Data Reported to PDE			
School Year	Reported Number of Students Transported	Reported Number of Vehicles	Total Reimbursement Received
2012-13	606	22	\$264,105
2013-14	587	24	300,192
2014-15	705	15	208,577
2015-16	989	19	246,633
Totals	2,887	80	\$1,019,507

*Criteria relevant to the finding
(continued):*

Non-reimbursable students

Section 2541 of the PSC states that non-reimbursable students are elementary students who reside within 1 ½ miles of their elementary school and secondary students who reside within 2 miles of their secondary school. Non-reimbursable students do not include special education students or students who reside on routes determine by PennDot to be hazardous. See 24 P.S. § 25-2541(c)(1).

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 PDE.

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed on May 30, 2018)

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.

As illustrated in Table 1, the reported number of students transported increased dramatically from the 2013-14 to 2014-15 school year, yet the reported number of vehicles decreased significantly. 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.

Additionally, the reported number of students increased dramatically during the 2015-16 school year. This was the result of the Board deciding to transport District high school students beginning in the 2015-16 school year. Prior to this school year, the District did not provide transportation to high school students.

PDE requires districts to report secondary students transported by the District who reside less than two miles from the school as “non-reimbursable students.”¹⁷ Districts can voluntarily choose to transport these students, but if transported, the District must report these students as non-reimbursable to PDE. Since the Jeanette City School District encompasses an area of two miles, some, if not most, of these students transported should have been reported as non-reimbursable. In this case, however, the District did not report any high school students transported as non-reimbursable. The District’s record keeping was so inadequate that the District was unable to provide us with bus rosters to support the names and addresses of the high school students transported. This lack of documentation prevented us from determining a monetary effect of reporting non-reimbursable high school students as reimbursable during the 2015-16 school year.

¹⁷ Excluding special education and vocational students, as well as students who live on a Pennsylvania Department of Transportation (PennDot) defined hazardous route.

*Criteria relevant to the finding
(continued):*

Number of Days

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

Jeannette City School District Board Policy Number 810, provides in part:

“The Board shall provide transportation for students living within the prescribed limits when walking conditions to the school are found to be hazardous by the Department of Transportation.”

Delegation of Responsibility:

The Superintendent or designee shall be responsible to:

Maintain records and make required reports regarding school transportation.

“The Superintendent or designee shall be authorized to issue procedures to implement this policy.”

Each local education agency (LEA) that transports students is required to report detailed transportation data annually to PDE. PDE reimburses LEAs based on the detailed information submitted. Transportation data is submitted through an application on PDE’s secure website and is then certified by the District Superintendent or the LEA’s Director.

The District’s Superintendent, during the audit review period, reported and certified the District transportation data to PDE for the 2012-13 through 2015-16 school years. The District’s Superintendent separated employment with the District on April 3, 2018, after being on extended leave since September 24, 2017. The former Superintendent began extended leave prior to the start of our fieldwork, and we had no direct contact with him during the audit. After current District officials were unable to provide us with supporting documentation for the reported transportation data, we called the former Superintendent in an attempt to gain more insight into this issue. The District’s former Superintendent did not return our call.

Current District officials stated that the former Superintendent relied on the District’s transportation contractor to provide detailed transportation data to the District. In an attempt to obtain this information, we reached out to the District’s transportation contractor; however, the District’s transportation contractor was also unable to provide complete data supporting the information submitted.

The documentation provided by the contractor lacked critical elements like the number of students transported and the mileage driven to transport students. The District lacked procedures detailing the collection, reporting, and retention of source documentation to support the transportation data submitted to PDE, as well as a continuation of operations plan addressing the reporting of this information in the event of turnover in the Superintendent position.

Supplemental Transportation Subsidy

According to the PSC, a nonpublic school is defined, in pertinent part, as a nonprofit school other than a public school within the Commonwealth of Pennsylvania, wherein a resident of the Commonwealth may legally fulfill the compulsory school attendance requirements.¹⁸ If school districts provide transportation services to students who reside in the District, the PSC also requires school districts to provide transportation services to students who reside in its district but attend nonpublic schools. The PSC requires that the Commonwealth provide school districts with a reimbursement of \$385 for each nonpublic school student transported by the district.

Table 2 below summarizes the District’s nonpublic student reporting errors made during the 2012-13 through 2015-16 school years and the cumulative overpayment.

Table 2

Jeannette City School District Nonpublic Student Reporting Errors		
School Year	Nonpublic Students Incorrectly Reported	Overpayment¹⁹
2012-13	42	\$16,170
2013-14	1	385
2014-15	14	5,390
2015-16	23	8,855
Totals	80	\$30,800

The District attributed the incorrect reporting of nonpublic students to the District’s failure to retain supporting documents, specifically bus rosters and individual nonpublic student’s requests for transportation.

We provided PDE with a discrepancy report detailing the errors for the 2012-13 through 2015-16 school years to assist PDE in verifying the overpayment and reducing the District’s future transportation subsidy by the amount of the cumulative overpayment.

¹⁸ See **Section 922.1-A(b)** (relating to “Definitions”) of the PSC, **24 P.S. § 9-922.1-A(b)**.

¹⁹ Calculated by multiplying the students incorrectly reported column by \$385, which is the per student amount PDE reimburses a school district for providing transportation service to each nonpublic student pursuant to 24 P.S. § 25-2509.3 of the PSC.

Conclusion

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 requirements with regard to maintaining supporting documentation for its transportation reimbursements.

The District failed in its fiduciary duty to taxpayers by not retaining this information given that without the documentation, we could not determine whether the amount of regular transportation reimbursement received was appropriate. Additionally, the District incorrectly reported the number of nonpublic students transported during the 2012-13 through 2015-16 school years, which resulted in an overpayment of \$30,800 in supplemental transportation reimbursements.

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 complies with the PSC's record retention requirements. The District should accurately report transportation data to PDE so that it does not potentially jeopardize its future transportation subsidies.

Recommendations

The *Jeannette City School District* should:

1. Retain all documentation supporting the transportation data reported to PDE, including vehicle odometer readings, 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 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 PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District future transportation reimbursement to recover the overpayment of \$30,800.

Management Response

District management provided the following response:

The employee (former Superintendent) no longer handles transportation reporting. Those duties have been shifted to another administrator (Business Manager) beginning with the 2017-18 school year.

In addition, the Business Manager under took training from PASBO (Dr. Wayne McCullough) to review and improve the logistical process of filing reports with PDE for Transportation Subsidy reimbursement. All transportation information will be collected monthly by the Business Office per the recommendation of Dr. McCullough, so that adequate supporting data can be provided for future State Audits to properly reconcile all future transportation reimbursements requests submitted by the school district.

Auditor Conclusion

We are encouraged that the District has begun to implement corrective actions. We continue to strongly stress the importance of retaining all documentation that supports transportation data submitted to PDE.

We will determine the effectiveness of the District's corrective action cited in its management response and any other corrective actions taken during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Jeannette City School District (District) released on August 28, 2014, resulted in one finding, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on August 28, 2014

Prior Finding: **Continued Internal Control Weaknesses Noted in the Reporting of Nonresident Pupil Membership**

Prior Finding Summary: During our prior audit, we found that the District's Instructional Time and Membership report for the 2009-10 school year reported membership days for secondary students from eight sending districts who were identified as Wards of the State. However, the residency coding identified these students as being educated by the students' district of residence, rather than the District. As a result of this coding error, the District was not appropriately compensated for a total of 441 days and would have received an additional \$24,053 in Commonwealth tuition payments for the 2009-10 school year.

Prior Recommendations: We recommended that the District should:

1. Print out the Student Information System (SIS) reports and Pennsylvania Information Management System (PIMS) reports after the PIMS upload is completed for that school year and perform reconciliations between the District's child accounting software data and the PIMS reports and retain them for our audit purposes.
2. Provide training to all administrative and clerical staff enrolling students and working with child accounting. The training should stress the importance of maintaining accurate records and the relationship of membership data to state subsidies and reimbursements, as well as developing an enrollment and withdrawal form to be used throughout the District.
3. Reference the PIMS manual of reporting for instructions in the proper reporting of nonresident students.
4. Review membership reports submitted to the Pennsylvania Department of Education (PDE) for years subsequent to the audit, and if similar errors are found, submit reviewed reports to PDE.

Current Status:

During our current audit, we found that for the 2017-18 school year, the District has developed procedures to ensure that PDE guidelines are used to properly report nonresident student's data prior to final submission to PDE. Additionally, beginning in April 2015, the District has been providing training to all administrative and clerical staff who enroll students and perform child accounting functions. However, the District did not review or revise membership reports submitted subsequent to our previous audit.

Appendix: Audit Scope, Objectives, and Methodology

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

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,²⁰ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

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

The Jeannette City School District's (District) management is responsible for establishing and maintaining effective internal controls²¹ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

²⁰ 72 P.S. §§ 402 and 403.

²¹ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2012 through June 30, 2016. We also determined if the District had key personnel or software vendor changes since the prior audit.

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

- ✓ Administration/Board Travel
- ✓ Transportation Operations
- ✓ District Procurement Cards
- ✓ Bus Driver Requirements
- ✓ School Safety

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

- ✓ Did the District ensure that all administrative travel and travel related expenses, incurred by board members and administrators, were properly documented, approved, and in compliance with established District policies and procedures?
 - To address this objective, we reviewed all three out-of-state conferences attended by District officials during the period July 1, 2012 through June 30, 2017. Specifically, we reviewed to ensure that all attendees obtained the appropriate conference request forms and submitted conference summary forms and the conference expense reports. In addition, we reviewed the board meeting minutes to determine if the travel was pre-approved and if any conflicts of interest occurred. Our review of this objectives resulted in Finding No. 1 in 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?²²
 - To address this objective, we randomly selected 8 out of the 19 vehicles used by the District's contractors to transport District students during the 2015-16 school year.²³ We requested documentation to verify the accuracy of the number of students reported, miles with students, miles without students reported and the

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

²³ 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.

transportation reimbursement received. After the District was unable to provide us with the supporting documentation for these vehicles, we expanded our request to the remaining 11 vehicles in the 2015-16 school year and all vehicles reported for the 2012-13 through 2014-15 school year.²⁴ Additionally, we reviewed all nonpublic school student and charter school students reported to PDE as transported by the District during the 2012-13 through 2015-16 school years.²⁵ The results of our review of this objective can be found in Finding No. 2 of this report.

- ✓ Did the District have board-approved policies and/or procedures over its procurement cards in order to safeguard the use of public funds, and were these procedures followed?
 - To address this objective, we obtained and reviewed the District's procurement card policies. For the 2015-16 school year, we judgmentally selected 2 of the 12 months of procurement card statements for detailed review.²⁶ From these statements, we performed detailed testing on all 92 transactions.²⁷ We reviewed the procurement card transactions to ensure that the District is requiring receipts for all procurement card purchases and that all purchases are approved by the business manager in accordance with the District's policies. Our review of this objective did not result in 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?²⁸ Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
 - To address this objective, we randomly selected 10 of the 29 bus drivers employed by the District bus contractors, as of March 27, 2018, and reviewed documentation to ensure the District complied with the requirements for bus drivers.²⁹ We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed,

²⁴ The District reported to PDE that 22 vehicles were used to transport students during the 2012-13 school year, 24 vehicles were used during the 2013-14 school year, and 15 vehicles in the 2014-15 school year.

²⁵ The District reported to PDE 42 nonpublic school students transported during the 2012-13 school year, 1 nonpublic student transported during 2013-14 school year, 14 nonpublic school students transported during the 2014-15 school year, and 23 nonpublic school students transported during the 2015-16 school year. The District reported to PDE 3 charter school students transported during the 2012-13 and zero transported during the 2013-14 through 2015-2016.

²⁶ The transactions were selected because we considered them to have a higher risk of non-compliance with board-approved policies and procedures for procurement cards. Therefore, the selection is not representative of the population of procurement card transactions, and the results should not be projected to that population.

²⁷ Statements reviewed covered October 27, 2015 through November 27, 2015, with 23 transactions; and June 27, 2016 to July 27, 2016, with 69 transactions.

²⁸ 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*.

²⁹ 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.

ensure compliance with bus driver hiring requirements. Our review of this objective did not result in any reportable issues.

- ✓ Did the District take actions to ensure it provided a safe school environment?³⁰
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, 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.³¹ In addition, we reviewed the District's Memorandum of Understanding with local law enforcement to ensure compliance with the Public School Code.³² Due to the sensitive nature of school safety, the results of our review of this objective are not described in our report. The results of our review of school safety are shared with District officials, PDE, and other appropriate officials as deemed necessary.

³⁰ 24 P.S. § 13-1301-A *et seq.*

³¹ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

³² 24 P.S. § 13-1301-A (c).

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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