

# **Chester Upland School District's**

## **Response to Wessel and the Bureau of Audits Reports**

The Chester Upland School District appreciates the support and direction that has been provided by the Pennsylvania Department of Education and its continued desire to see our district return to a healthy status. The Technical Consulting Report provided by Wessel & Company -Accountants & Advisors along with the Bureau of Audits Report has been our guiding documents to address many high-risk areas that needed immediate improvement. Through the guidance and support of the Receiver and the Montgomery County Intermediate Unit, the Chester Upland School District team has worked diligently to address many of the issues outlined in the BOA as well as the Wessel Report. We have provided you with detailed responses to many of the two organizations' findings. We have actively worked to correct all that could be immediately resolved. For the concerns we have not already remedied, we have provided you with our steps to demonstrate what actions will be taken in the future.

We are focusing on establishing a culture that demands accountability with internal controls that will be monitored with fidelity and integrity. Our goal is to ensure that we facilitate compliance with legal and administrative requirements. I am confident that we currently have the team in place to make all of this happen.

We hope that you and your team will return to the Chester Upland School District to personally observe the improvements and provide additional support and suggestions to assist us with continued progress. We are dedicated to helping the Chester Upland School District Community receive all that every other healthy school district in our Commonwealth receives. We owe it to the children who depend on us daily in the Chester Upland School District.

### **Business Department Areas of Risk**

**#1. Budgeting Concern- Business office staff reported that invoices not related to purchases that went through the purchasing process are often received and might happen about 30% of the time.**

**Corrective Action:** CUSD has begun implementing controls that would require staff to first submit a requisition to the Business Office for all purchases. The Business Office has advertised and is actively recruiting for the "Purchasing Specialist/Control Person" position. This person will first be trained by MCIU staff to ensure adequate training regarding proper purchasing procedures and controls are being followed prior to the actual order. In addition, the Business Office is meeting with all Department Heads and related support staff to enforce proper purchasing procedures.

**#2 Concerns with the handling of large sums of cash and timely deposits.**

**Corrective Action:** The Business Office will discuss with and reinforce by email that all stakeholders (schools) deposit all receipt of funds (cash/checks) on a timely basis (with 24 hours of receipt). No cash or checks will be kept overnight unless locked in a secure location. The Business Office is currently reviewing an electronic cash payment software system for student and parent use.

**#3 Bank Reconciliations were not performed with consistency-**

**Corrective Action:** The Business Office (ABM - Assistant Business Manager) reconciles all bank statements monthly. To ensure confirmation, the ABM will confirm and attest that all statements are reconciled as part of the monthly Treasurer's Report submitted to the School Board.

**#4 Contract Management – Work had commenced prior to a signed contract in place on many occasions.**

**Corrective Action:** The Business Office recommends that the Board Secretary (Receiver's Administrative Assistant) not include any contract on the Board (Receiver's) agenda for approval until first signed by the vendor. Immediately following the board meeting, the Board secretary secure the Receiver's signature on the document/contract/agreement. It is further recommended that the Receiver's Administrative Assistant keep a (double signed) copy of all agreements/contracts in a shared electronic folder, as well as a hard copy of all contracts in a locked filing cabinet in the Receiver's suite.

**#5 Contract Management- The business office does not have a designated record coordinator.**

**Corrective Action:** The Business Office recommends that the Receiver's Administrative Assistant keep a (double signed) copy of all agreements/contracts in a shared electronic folder, as well as a hard copy of all contracts in a locked filing cabinet in the Receiver's suite.

**#6 Disbursements -Approval to make payments is not consistent. Sometimes there is an invoice with a signature; however, other times, approval to pay was verbal or in an email.**

**Corrective Action:** The Business Office will implement controls that ensure that no invoice will be processed without an approval signature from a department head/administrator. This will be part of the Accounts Payable invoice-processing procedure. The Business Manager and/or Assistant will randomly select 5 to 10 invoices periodically to ensure that this procedure (signature approval) is followed.

**#7 Disbursements – Charter school invoice errors were not addressed in a timely manner.**

**Corrective Action:** The District's Department of Child Accounting will review and approve all Charter School invoices monthly prior to payment. The Department of Child Accounting will sign off and acknowledge that the invoice is approved for payment.

**#8 Transportation – The contractor had all control over the routing process for the CUSD. Feedback was not taken into consideration that was provided by the Transportation Coordinator.**

**Corrective Action:** CUSD is in the process of contracting with an individual/individuals to take back school bus routing responsibilities. The CUSD will provide the bus contractor with all routing information prior to the start of the school year.

**#9 Transportation – Invoices provided by County-Wide Transportation Service were different than the contract prices. There were also invoices identified with inaccurate calculations.**

**Corrective Action:** The transportation department will review all transportation invoices and ensure that the charges are correct and appropriate. They will also review and confirm pricing against the existing contract prior to payment. The Transportation Department will sign off that the invoice is approved for payment.

**#10 Procurement – SAME AS BUDGETING ISSUE #2**

**#11 Procurement- The purchasing coordinator could not provide unsuccessful quotes for purchases requiring quotes and purchases requiring RFPs based upon the dollar amount of purchases.**

**#12 There were invoices received from companies that had not been set up as vendors.**

**Corrective Action:** The Business Office has advertised and is actively recruiting a new position, "Purchasing Specialist/Control Person". This person will first be trained by MCIU staff who will ensure adequate training is given with respect to proper purchasing procedures and controls being followed prior to the actual order. In addition, the Business Office is meeting with all Department Heads and related support staff to enforce proper purchasing procedures

**#13 Budgeting – Department head budget monitoring might not have been in place during the evaluation period.**

**Corrective Action:** The Business Office (Controller) will distribute monthly "flex" (departmental expenditure reports) to all department heads. The controller will request at the time of distribution of the monthly flex report if a person-to-person meeting is needed to review any budgetary concerns that a department head may have.

**#14 Bank Reconciliations – The bank coversheet was not completed for the July 2018 and September 2018 payroll sweep. Cover evidence of completion was lacking.**

**#15 Bank Reconciliations - There were three payroll account bank reconciliations that were not signed off on as approved as well as one disbursement sweep account reconciliation.**

**#16 Bank Reconciliations - Bank account reconciliation items were missing from folders.**

**Corrective Action:** The Business Office (Assistant Business Manager) reconciles all bank statements monthly. To ensure confirmation the ABM will confirm and attest those statements are reconciled as part of the monthly Treasurer's Report that is submitted to the School Board (Receiver).

**#17 Contract Management – The Business Office did not have a customized Chester Upland School District Records Retention Guide. CUSD was using a retention guide provided by the Massachusetts Society of Certified Public Tax Accountants. This document was outdated; therefore providing the risk of using outdated guidance.**

**Corrective Action:** The Business Manager will review the current Records Retention Guide and update or customize the guide for CUSD, if appropriate. The Business Manager will also contact PASBO (Pa Assoc. of School Business Officials) to see if a more appropriate record retention guide is available.

**#18 Disbursements – Lack of responsiveness from the staff made it difficult to get approval to pay invoices.**

**#19 Disbursements – Outdated internal purchasing procedures (August 1, 2013)**

**Corrective Action:** CUSD has advertised and is in the process of hiring a procurement specialist who will work closely with the current Account Payable specialist to establish and enforce purchasing and payment control procedures. In addition, both positions will be trained in the proper purchasing/accounts-payable procedures by more experienced MCIU staff.

**#20 Budgeting -**

**Corrective Action:** An appropriate response is difficult to provide, as the current staff was not involved in the budget development but agreed to the auditor's concerns. The current Business Manager will prepare the most realistic budget possible based on experience. The team has already started the process through various meetings with vital members in the District.

**#21 Bank Reconciliations- Previous accountant did not review stale outdated checks (checks outstanding for an extended period of time.**

**Corrective Action:** The Business Office will continue to request copies of any/all stale or outdated checks.

**#22 Bank Reconciliations – The Business Department was about a year behind on reporting escheat, reporting unclaimed property to the Treasury.**

**Corrective Action:** The Business office will work to escheat funds to the State of Pennsylvania at the end of the 2021-22 school year for any uncashed checks that qualify to be escheated.

**#23 Fixed Asset Management – The District lacks an inventory tagging system for fixed assets, except that the technology department has a tagging system for the IT equipment**

**#24 Fixed Asset Management - The school district does not take on the physical inventory with each department in the school district on an annual basis to confirm the continued existence of the CUSD's fixed assets.**

**Corrective Action:** The Business Department will provide training to all departments and assist with the development and creation of a system to ensure all items are inventoried. There will be a system to audit this throughout the fiscal year.

**#25 Business Office – There was no training provided to the members of the Business Office regarding records management.**

**Corrective Action:** The Business Office recognizes that proper records management is critical and will work to train all Business Office staff on the proper record management procedures. We hope to have better (proper) records management in place by July 1, 2022

**#26 Transportation -**

**Corrective Action:** CUSD will work to train CUSD transportation staff on retaining the proper and appropriate data to complete PDE transportation reports.

**#27 Food Service -**

**Corrective Action:** CUSD will work to train CUSD food service staff on retaining the proper and appropriate data to complete PDE food service reports.

**#28 Food Service -The Child Nutrition Financial report had not been submitted.**

**Corrective Action:** These reports have been filed by the current Business Department team.

**#29 Procurement – Training needed explaining the purchasing process.**

**Corrective Action:** The Business Office recognizes that proper controls and adherence to those are critical to the success of CUSD. With the help of MCIU and other consultants, the Business Office will continue its efforts to train all stakeholders on the proper purchasing procedures and controls.

**#30 Procurement- The business department was not aware of the fraud hotline. Suspicious activity outside of the chain of command was reported to the Human Resource Department.**

**Corrective Action:** The Business Manager will distribute (by email) the fraud hotline to all - not only the Business Office staff, but all Central Office personnel as well.

**#31 Procurement -The CSIU system does not has a file of entry of a justification for the purchase. Therefore, the reason each purchase was made might not get captured within the support providing an audit trail.**

Corrective Action: CUSD and the MCIU are currently in the process of implementing new financial software. This software will be in place and active by July 1<sup>st</sup>, 2022

## **Human Resource Department Areas of Risk**

**#1 Based on conversations with CUSD staff, CUSD employees are influenced by administrators and board members to hire or promote personal associates for positions within the District. In these instances, the hiring process may not be performed with the same level of thoroughness as is normally expected and exhibited.**

**Corrective Action:** The Human Resources Department has a structured recruitment process. All applicants are screened as a part of this process. The recruitment process involves finding the candidate with the best skills, experience, and personality to fit the job. It requires a series of collecting and reviewing resumes, conducting job interviews (involving hiring managers/building leaders), and finally selecting and onboarding an employee to start working for the District. While we encourage employee referrals, individuals are not selected for a position without being vetted through the process.

**#2 Internal audits performed by CUSD Human Resources and Payroll staff to verify the accuracy of the information in the electronic benefits and payroll systems have not been documented and are not performed at regular intervals**

**Corrective Action:** It is imperative that HR and Payroll work closely to ensure information found in the system-- on both the benefits and payroll sides--is aligned and accurate. Corrective action: a review of data is needed to identify and address any concerns. Documented processes are needed to verify accuracy in these areas to correct any issues and manage/maintain information going forward.

**#3 Effective controls have not been implemented to ensure separated employees are appropriately addressed in the electronic Human Resources and Payroll databases in a timely manner.**

**Corrective Action:** A process has been established for updating the HRIS/Payroll system in a timely manner. Payroll Action Forms (PAFs) are utilized as the initial communication between HR and Payroll for when an employee separates from employment with CUSD. Utilizing the PAF, HR is responsible for updating the Personnel side of the system and payroll, the Payroll side of the system. The current system does not allow payroll to "future date" a separation thus, employees cannot be made inactive in the system until after their last payment is processed. Once the final payment is processed, the employee's separation date is updated in the system.

**#4 CUSD coaches are paid through the CSIU payroll system. However, we have identified an instance in which no personnel file was available to determine whether clearances and tax information were appropriately obtained for a coach.**

**Corrective action:** Audits are currently being conducted within HR to review all coaching staff, with a keen focus on clearances and other pertinent employee information. Coaches who have been hired within the last year have undergone the established new hire process which includes clearances and payroll (tax) information. A part of this audit will also include ensuring that all current coaching staff have a personnel file. A document will be produced to reflect the outcome of the audit.

**#5 Instances were identified in which supervisory approval for overtime hours worked by hourly staff was not present on selected timecards.**

**Corrective Action:** The District is in the process of implementing new technology through Frontline Education. The Time and Attendance Module is a web-based time and attendance management system that will set controls around the time reporting and time approval process, increase accountability, control labor costs, and ensure accuracy when running payroll. The District will gain a time-tracking system that will accurately track overtime worked — and accurately pay employees for that time. Each employee will be set up in the system with their regular work hours, and we have created specific rules for handling overtime pay for time worked over the schedule, such as, if employees earn time and a half or double time. All time will be routed to the appropriate manager for approval, thus overtime hours will be reviewed by managers in advance of payroll processing. Also, as a part of the Frontline training initiatives (that all employees will attend), employees will be directed to seek approval for overtime in advance of working beyond their regularly scheduled hours.

**#6 Up to date and accurate written procedures are not available for HR or Payroll processes. While a Business Operations Manual exists that contains payroll procedures, the document is out of date and references positions that no longer exist.**

**Corrective Action-** Documented HR processes have been created for most HR processes. These are 'living/breathing' documents that will be updated when necessary. Corrective action: a deeper review will be conducted to determine any needs to revise accordingly and to identify any process yet to be documented. A list of the documented procedures will be provided. A payroll processing manual has been developed and is currently being utilized by the payroll coordinator. Corrective action: a deeper review of the payroll process will be conducted to check for efficiency in the process. Process will be updated and documented accordingly.

**#7 Although the contracted transportation companies employ bus drivers, CUSD's HR department is responsible for the review and approval of bus drivers. According to HR staff, background checks and clearances for bus drivers are not reviewed in all instances. HR indicated if potential issues or concerns related to bus driver applicant's background or clearances are identified by the transportation company during the hiring process, pertinent applicant documentation is sent to the HR office for review and approval/denial. In these instances, HR will approve or deny the applicant.**

**Corrective Action-** Currently, there is not a process in place for reviewing and approving transportation/bus driver staff, nor obtaining their background/clearance information. Corrective action: obtaining background clearances on behalf of all bus drivers that serve CUSD-- to ensure

compliance. Next, HR will work with the transportation company to review candidates as part of the hiring/screening process, thus playing a more active role in the selection process.

### **#8 CUSD does not maintain an organizational chart.**

**Corrective Action:** An organizational chart currently exists for the school district at a high-level view.

In response to the Wessel & Company and Bureau of Audits reports for the Chester Upland School District, the Operations Department noticed several significant instances that directly impacted their department. The report pointed out numerous deficiencies when it came to district policies, vendor management, contract management, and awards of contracts for a variation of needs, i.e., supplies, services, construction and/or projects.

1. **ESSER's Design Firm, D'Huy Engineering** - The contract was not properly solicited or approved through the proper stages or steps most school districts follow. After an extensive review of the blanket subpar contract agreement, the CUSD allowed D'Huy Engineering to create the budget for ESSER Funded Projects, which in turn allowed D'Huy engineering to take full advantage of their charges (8% of the budget) that would be accrued at their direction. That meant, of the \$19M in ESSER funds, D'Huy Engineering would profit \$1,520,000 that was paid out of the Chester Upland School District frail and limited capital reserves.

**\*What Has Changed\*** – Immediately halted all work and projects associated with all ESSER funds, which included stopping D'Huy Engineering from completing their design work that was overpriced at 50% of design completed to date. In addition, we investigated other avenues with alternative designers and additional ways that could improve the CUSD curb appeal by using these funds. What we identified is that all the design work should cost the CUSD approx. 40% to 60% less than what D'Huy Engineering was originally proposing in their contract that was approved by the previous leadership.

With the Operations Department's oversight now in place, we are in the process of removing D'Huy Engineering from these projects and we will be soliciting several other architects and/or design firms to complete this work in a respectful and transparent manner with all costs and charges.

These are the first steps on improving contracts and project management to hopefully return the CUSD to some sort of financial recovery moving forward and set the precedence for contractors doing business with the CUSD.

2. **Waste and Trash Management** - Over the past few months, we identified that the CUSD was utilizing the services of two waste/trash disposal contractors to service the six public schools. We noted that each vendor was charging the CUSD for the same properties and both vendors had trash dumpsters at each school location.

Republic Services and Waste Masters Solutions were invoicing the CUSD for services being rendered to each school building simultaneously, including the old Maintenance Building located on 126 E 6<sup>th</sup> St. in Chester, PA. \*FYI\*, this location, from my understanding, was sold to the City of Chester a few years ago, but the prior administration continued providing services to a vacant and/or unused property that they no longer owned.

**\*What Has Changed\*** - We eliminated the services of Waste Master Solutions immediately and paid them up to date on all their invoices and retained Republic Service to continue supporting all of the CUSD school buildings. They provided pricing and cost in accordance with the DCIU's collaborative purchasing award and agreement.

3. **Elevator Service Contractors** – Yet again, we identified that the CUSD was utilizing the services of multiple contractors to provide identical services. KONE Elevator and ThyssenKrupp Elevator provide elevator repairs services to the CUSD simultaneously at the same buildings, i.e, the CUHS and CUSA.

Nevertheless, we noted that the ThyssenKrupp elevator contract was last signed and endorsed on August 17, 2002 and has been renewing since then for the past 20+ years at the end of every 5-year renewal term. That is approx. 20+ years of \$225.00 monthly, or \$2,475 yearly, and to date, \$49,500 for a grease and lube contract to service one freight elevator in the HS. This type of contract means that we pay them to retain their services even if we don't use the service annually.

Moreover, KONE elevators contract has this same freight elevator in their agreement for services at the HS. They have been charging the CUSD to service all the CUSD units at a rate of \$490.00 monthly, \$5,880 yearly, for the same type of service, Grease and Lube. FYI, we have four total elevators in this school district. The last time KONE stated that they were on-site was Oct/2021.

**\*What Has Changed\*** - We are currently in the process of canceling both contracted services via certified letters to both contractors. Yet, at the same time, we are contacting several smaller elevator providers to submit service contracts that will go before the Receiver, Superintendent, and stakeholders for approval, after we select and determine the most suitable, lowest responsible estimate for services.

4. **Vehicle Insurance Policy** – We again identified that the CUSD was paying for vehicles we don't own or have been removed from service. The current Maintenance Department has 6 working vehicles, 1 new vehicle that supports the food service vendor, with an overall total of 7 working vehicles.

However, our insurance provider listed 13 vehicles that we have been paying for to-date. We are currently making sure that only the vehicles that are operating will be insured.

**\*What Has Changed\*** - First, we are working with our insurance provider to remove the unavailable vehicles from the policy. Next, the Operations Department will conduct an

annual assessment to ensure that vehicles are in service. This minor change will allow the CUSD to save funds to purchase new vehicles in the future.

5. **Service Contractors and Mechanical Service Contracts** (i.e.) Custodial, Exterminators, HVAC, Plumbing and Electrical – Unfortunately, these services were scarce and unsolicited. We spoke to a multitude of contractors and vendors that the CUSD owed money about providing services to the CUSD.

Regrettably, all the contractors stated that they will **\*not\*** provide service to the CUSD. All of them expressed financial stress on their businesses when they were providing repair services to the CUSD over the past 3-4 years for services rendered without payment.

It was identified that the past facilities leadership was requesting services from many vendors. The leadership would use them until they stopped providing services due to nonpayment of services for repairs provided. This unfortunate characteristic was "business as usual" for the previous CUSD leadership; and unfortunately, this damaged valuable service to the children we serve.

Additionally, these inappropriate behaviors started to affect the CUSD ability to procure simple building supplies, equipment, custodial supplies, and exterminating vendors that provided support and valuable services for each school building.

**\*What Has Changed\*** - First, we worked with the Business Office to pay vendors up to date or develop a suitable payment plan to bring them current. Next, we are starting to work with various vendors that will be procured in the proper manner to provide valuable services.

Furthermore, we are closely working with our new Accounts Payable team to ensure that we stay current with the new vendors that are now providing services to the CUSD. Over the past few months, we have procured, or are in the process of procuring, vendors to support us with HVAC repairs, exterminating services, and Plumbing & Electrical repairs across the CUSD.

To that end, we have created an accountability system. The new Operations Leadership requires that all supplies and request for services are now signed and approved by the new Facilities Foreman and department leadership. No purchases will be made moving forward without going through the appropriate approval process.

6. **\*On-Going Changes are Imminent\*** – We are looking into the Transportation Vendors Service Contracts, more especially Philly Trans and their monthly pay applications, bus routing and services they provide.

It is obvious that Philly Trans, Inc. created all the bus routes which enabled them to then create the escalated cost for services over and above the contracted cost without approval from the past administration. Once this was recognized, CUSD compared and surveyed

the neighboring school districts, many having more schools and a larger student population. It was discovered, the CUSD was being charged at least 50-63% more than our nearest school competitor.

This news was unfortunate, but the previous administration signed and approved the contract in FY 2017-18. To date, no one has held the vendor responsible or accountable for the services and contractual obligation to provide transportation to the CUSD.

For instance, the Philly Transportation's own contract states that the CUSD can **\*renegotiate the contract terms\*** if they don't provide services for the entire 180-day school year, which is something that we may need to explore.

To that end, it was noted in the Wessel & Co. report that the CUSD have written internal procedures for compiling data or submitting reports to PDE through E-trans. Also, it was noted that every invoice should be reviewed moving forward for accuracies.

**\*What Has Changed\*** - First, we have registered the CUSD on E-trans and started inputting data for daily mileage subsidies. Additionally, all invoices submitted monthly started going through a stringent review for accuracy of charges.

Our goal is to start holding Philly Trans accountable for all services rendered. We will be properly reviewing all invoices for correct charges and services. In addition, we are conducting random bus checks for cleanliness and sanitary conditions. Also, we started collecting and requesting a copy of all clearances for each bus driver.

We will continue to address all transportation concerns in the future.

7. **Utilities – Electric, Gas and Water** – During the past month of December 2021 and January 2022, we identified several major discrepancies with building utilities and invoicing.

It is unfortunate to state that we found some major problems where the CUSD has been remitting payment for utilities for various buildings that we no longer utilize or own.

**\*What Will Change\*** - Facilities Operations will start working closely with the Business Office on utilities and invoicing. Our goal is to streamline the approval process to ensure we are paying the correct amounts and for the right locations owned by the CUSD.

We will create a spreadsheet with account numbers, locations or addresses, school name, etc., to ensure we are providing the most stringent service and support moving forward.

Finally, the Wessel & Co. Report was extremely resourceful when identifying issues and concerns that have plagued this community for a significant amount of time. We are grateful for the support and information that we have received through the various reports. We currently have several other areas that we will continue to address and look forward to working closely with PDE in supporting us in creating a realistic timeline. We will continue to make the needed adjustments to transition to a healthy and thriving school community.