

SCHOOL DISTRICT OF PHILADELPHIA
REVIEW OF STUDENT TRANSPASSES
OCTOBER 2008



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

October 6, 2008

Dr. Arlene C. Ackerman
Superintendent of Schools
School District of Philadelphia
440 North Broad Street
Philadelphia, Pennsylvania 19130

Dear Dr. Ackerman:

The City Controller's Office has performed an assessment of the adequacy and application of controls over TransPasses issued to School District of Philadelphia students. This assessment was conducted pursuant to Section 6-400 (d) of the Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions cited in this report occurred under the administration of the previous Chief Executive Officer.

We discussed our findings and recommendations with your staff at an exit conference. We have included your Chief Business Officer's written response to our comments as part of the report. However, we have applied no audit procedures to the response and, accordingly, we express no opinion on it. We have also included our comments to the response in those cases where we believe that it does not adequately address our findings and recommendations.

We believe that our recommendations, if implemented by management, would improve the controls over the use of student TransPasses. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years.

We would like to express our thanks to you and your staff for the courtesy and cooperation displayed during the conduct of our work.

Very truly yours,

ALAN BUTKOVITZ
City Controller

cc: Members of the School Reform Commission
Honorable Michael A. Nutter, Mayor
Honorable Anna C. Verna, President
and Honorable Members of City Council
Michael Masch, Chief Business Officer



School District of Philadelphia Review of Student TransPasses Executive Summary

Why the Controller's Office Conducted this Review

We reviewed the controls over TransPasses issued by the School District of Philadelphia (District) to provide eligible students with free transportation to and from school in order to determine whether policies and procedures have been designed to provide adequate safeguards and controls and whether those controls are operating effectively at both the central administrative office and individual schools.

What the Controller's Office Found

Although the District's Transportation Division adequately accounts for the number of passes issued to and returned from schools, the short timeframe from the program's announcement to its implementation did not allow it to establish comprehensive procedures designed to control and report TransPass activity at individual schools. We found evidence that District officials provided general training and guidance. However, this guidance did not address subjects such as the responsibilities of school personnel, distribution procedures, records retention and reporting requirements. As a result, each school has been left to determine how it should best issue and account for passes. We reviewed TransPass activity for one week at fifteen schools during May and June 2008. Our review and tests found inconsistencies between schools and even within the same school as well as a general lack of controls, safeguards, and accountability.

- At some schools operations officers distributed and accounted for TransPass activity, while teachers and non-teaching aides performed this function at other schools. This practice does not provide the District with assurance that only personnel with appropriate training are performing these duties.
- Some schools used the District's centralized database to produce eligibility distribution listings, while others inappropriately used home room rosters and other manually prepared lists. We found 22 passes issued to ineligible students based on the distribution lists we were able to review.
- Some schools required students to sign or initial the distribution list when given a TransPass, while personnel in other schools simply checked-off or crossed-off the student's name. This practice does not provide adequate evidence that a TransPass was issued.
- Not all schools retained TransPass-related documentation. We identified two schools which could not document that 912 passes were issued to eligible students.
- Some schools prepared a summary of weekly TransPass activity (i.e. number received, number issued and number returned), while other schools maintained no such records. Our one-week test at the 13 schools that retained distribution records identified 360 passes that could not be accounted for. The cost of these passes was \$5,634.

The lack of controls and accountability over TransPass activity at individual schools increases the risk of theft and abuse. Such risk is heightened because for a small additional fee, student Transpasses can be upgraded to a SEPTA TrailPasses. TrailPasses provide unrestricted and unlimited travel to both students and adults. During the 2007/2008 school year, over 19,000 student TransPasses were upgraded to TrailPasses.

What the Controller's Office Recommends

The City Controller's Office recommends the District establish procedures to provide adequate controls at the central and school levels over the distribution, eligibility, recording keeping, reporting, and monitoring of Transpass activity. These and other recommendations are discussed further in the body of the report.

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INTRODUCTION

BACKGROUND

In August 2007, the Commonwealth of Pennsylvania (Commonwealth), the Southeastern Pennsylvania Transportation Authority (SEPTA), and the School District of Philadelphia (District) announced an agreement that would provide free transportation to Philadelphia public and non-public students by issuing weekly student TransPasses to students living 1.5 or more miles from school, special education students, students participating in desegregation programs and living one mile or more from assigned schools, and students who must cross hazardous roads on their commute.

Approximately 57,000 students were eligible to receive free TransPasses, and about 60 percent of these were public school students, with the remainder attending non-public and charter schools. The District pays SEPTA \$15.65 for each weekly TransPass. A portion of this cost is reimbursed by the Commonwealth of Pennsylvania. The total cost of the TransPass program for the 2007/2008 school year was approximately \$28.9 million. The Commonwealth's subsidy was \$9.1 million. The District also received \$3 million from SEPTA for administering the program.

The School District determines which students are eligible to receive TransPasses and codes them as such in its centralized school-computer network. The District's Transportation Division orders and receives Transpasses from SEPTA and then distributes them to each school. It is the responsibility of the schools to distribute the TransPasses and return the undistributed passes to the Transportation Division. The Division returns the unused passes to SEPTA and receives a credit against amounts owed.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of our review were to determine if controls over the distribution and accounting for student TransPasses at both the central administrative level and at individual schools were effective.

Our work consisted of interviewing District officials, obtaining and reviewing policies and procedures, and examining summary and detail documentation supporting the methods used to distribute and account for TransPasses to schools by the District's central administration and to students at selected high schools.

We conducted our work between May and July 2008 in accordance with generally accepted government auditing standards.

CONTROLS OVER TRANSPASS ACTIVITY NEED IMPROVEMENT

Controls and accountability over TransPass activity at both the central administrative offices and individual schools needs to be enhanced to improve operations and reduce the risk of theft and abuse. We found that a lack of comprehensive policies and procedures contributed to inconsistent and inappropriate practices at the schools we visited. We also found passes distributed to ineligible students and an overall lack of accountability for passes received, distributed, and returned.

Lack of Comprehensive Policies and Procedures

Although the Transportation Division adequately accounts for the number passes issued to and returned from schools, the short timeframe from the program's announcement to its implementation did not allow it to establish comprehensive procedures designed to control and report TransPass activity at individual schools. While we found evidence that District officials provided general training and guidance regarding eligibility, usage, and centralized distribution and return requirements to principals and other school based personnel, they did not address control procedures such as the responsibilities of school personnel, distribution procedures, records retention, and reporting requirements. Without comprehensive guidelines and procedures, each school has been left to determine how it should best issue and account for passes. As explained in the next section, we found inconsistencies between schools, and even within the same school, as well as a lack of controls, safeguards, and accountability.

Inconsistent Practices Found at the School Level.

We visited 15 high schools during May and June 2008 and reviewed distribution procedures and documentation for one week in order to identify the processes followed in distributing TransPasses and reporting the activity to the School District's central administration. Other than the requirement that TransPasses be distributed on a weekly basis, each school has been given the opportunity to design its own controls and practices. We found the following practices at the schools visited:

- **Personnel** - TransPasses were distributed by various personnel at the schools visited (School Operations Officers, Non-Teaching Assistants, and Teachers). This practice does not provide the District with assurance that only personnel with appropriate training are performing these duties.
- **Eligibility** - Seven schools appropriately used the eligibility listing provided through the school computer network to control who received TransPasses. Four schools prepared customized lists by sorting the school computer network eligibility file. Three schools prepared manual lists, and one school used homeroom attendance listings. Using eligibility lists (whether student attendance logs or other school-designed forms) not electronically produced from the school computer network for students coded TransPass eligible increases the risk of providing

transportation to ineligible students. We found 22 students received TransPasses that were not on the School District’s computer eligibility lists.¹

- Distribution - At six schools, the person distributing TransPasses checked off or crossed out students names themselves, while at others, students were required to sign or initial the distribution sheet. Checking off students’ names without having them sign or initial and present their IDs increases the risk that TransPasses may be given to ineligible individuals. In addition, not all schools require students to present their ID cards when distributing TransPasses. No school recorded the serial numbers of the passes distributed to students, which would not only provide additional distribution safeguards, but also allow the District to identify students who are misusing the pass.²

Finally, one school distributed all weekly TransPasses at the beginning of the month, despite the District requirement that they should be given out on a weekly basis. Distributing all weekly TransPasses at the beginning of the month, not only fails to comply with District policy, but can result in students losing them, as well as making them available to students who become ineligible before month-end.

- Record Retention – Two schools (shown below) discarded the distribution sheets after passes were given out. Accordingly, we could not determine whether 912 passes from our test week were actually issued, who they were issued to, or whether any of the students were ineligible.

School	Number Issued to School	Number Returned to District	Number Unaccounted For
Edison	749	157	592
South Philadelphia	431	111	320
Total	1180	268	912

- Reporting - Only five schools prepared summaries designed to account for TransPasses received, issued and returned. For three of these, our audit results agreed with the school’s summary. However, for the fourth, we could not verify the summary because the detail records were not retained. Detailed records did not agree to the summary for the fifth school.

Unaccounted for Transpasses

For the 15 schools chosen for visits, we attempted to reconcile the number of TransPasses received by each school with the number distributed to students, and the number returned to the District’s central administration as undistributed. Because two of the schools did not retain any documentation related to the distribution of the passes as discussed under “Record Retention”

¹ The School District’s school computer network includes designations for each student who is eligible to receive a free TransPass. The scope of our work did not include determining whether students were properly coded based on eligibility criteria.

² We have been informed that SEPTA’s fare system has the capability of identifying the time of day passes are used. This information could be useful to the District in monitoring usage.

above, the information presented in the following table shows the results of our review for 13 of the 15 schools selected:

TRANSPASS RECONCILIATION³

School	(a) Number Received	(b) Number Given Out	(c) Number Unclaimed (a) – (b)	(d) Number Returned	(e) Number Unaccounted (c) – (d)
Bok	551	507	44	46	(2)
B. Franklin	376	350	26	21	5
Wm. Penn	342	217	125	102	23
A. Lincoln	960	785	175	175	0
G.Washington	1272	782	490	206	284
Central	2089	2039	50	50	0
Northeast	1273	1045	228	224	4
Swenson	694	605	89	60	29
GAMP	195	177	18	6	12
Furness	326	286	40	35	5
Lankenau	99	98	1	1	0
Frankford	548	459	89	89	0
Fels	813	703	110	110	0
Total	9538	8053	1485	1125	360

The cost of 360 TransPasses that we could not account for from our one-week test at 13 schools amounts to \$5,634. The District-wide figure could be considerably higher, considering that the District operates over 90 schools where students are provided TransPasses.

We could not determine if the unaccounted passes were the result of improper recordkeeping or irregularities. However, adequate controls over all passes received, issued, and returned is essential, especially considering that for a small fee student TransPasses can be upgraded to SEPTA TrailPasses. These provide unlimited travel for both students and adults. During the 2007/2008 school year, over 19,000 TransPasses were upgraded to TrailPasses. Although this number may be comprised entirely of students who chose to upgrade TransPasses for the added convenience of using regional rail lines in traveling to and from school, there is no way to determine whether this was the case.

Inadequate Monitoring

The Transportation Division relies entirely on schools to control TransPasses issued to them. There are no school visits to determine if the school personnel are properly administering the program.

³ The information presented in this table is based on records available at each school. No procedures exist for distribution of TransPasses or for the type of records to be maintained. As a result, inconsistencies exist over this process between schools, and even within the same schools, which may affect the reliability of that information.

In addition, Transportation does not reconcile the number of TransPasses issued to each school with the number actually distributed and returned. It is assumed the difference between those delivered to the schools and those physically returned for credit represents the number actually distributed to students. As discussed above under “Inconsistent Practices Found at the School Level,” this is not necessarily accurate.

Finally, Transportation does not perform formal data or trend analysis which could identify irregularities or opportunities for efficiencies. For example, we found that some schools were returning a high percentage of Transpasses.⁴ This could be attributable to eligible students that do not claim TransPasses because they are part of car pools, etc. Data analysis could have identified these issues and reduced the number of purchases to an appropriate amount. Ordering the proper number of passes would improve controls (fewer unused passes would be on hand and subject to irregularities), efficiency (fewer passes to distribute and account for) and savings (reduced cost in terms of purchasing/waiting for credits).

Determining Actual TransPass Usage

In providing free transportation to and from school, the District has no way of knowing the number of students that take advantage of this benefit. Although TransPasses are distributed to students based on a number of eligibility criteria, it is possible that passes are claimed but not used. Thus, it is possible that the District incurs these costs without any benefit being received because students may claim TransPasses but use them for only partial weeks or not at all.

School District officials informed us that SEPTA has no way of determining the exact number of rides that the District’s students actually take. In an attempt to adjust the District’s cost for actual usage, a student survey was conducted to determine the number of individuals riding buses and those riding the non-surface routes. This number was applied by SEPTA to the actual number of TransPass swipes on its surface lines, and the result – approximately \$1.5 million – was credited against the District’s costs. However, without actual ridership data, it is still possible that the District is paying for services not actually received.

Recommendations

In order to strengthen controls over the distribution of student TransPasses, we recommend District officials develop comprehensive procedures designed to control and report activity at individual schools. Such procedures should include school personnel responsibilities, eligibility guidelines, distribution procedures, records retention, and reporting requirements. Distribution procedures should include instructions for using only the school computer network as the student eligibility basis, and documenting the process so that there is support that only eligible students have been issued TransPasses [08.04.01].

In order to provide greater accountability over student TransPasses, the District should require each school to prepare and provide the central administration with a reconciliation of the number received, distributed and returned. Additionally, responsible school personnel should be instructed to determine the number of TransPasses actually given out by reviewing the distribution listings, rather than deriving that number as the difference between the number received and those to be returned [08.04.02].

⁴ Wm. Penn – 30 percent; A. Lincoln – 18 percent; G. Washington – 16 percent etc.

Centralized monitoring procedures should also be developed to check for the schools' compliance with the distribution and reporting requirements [08.04.03]. Also, in order to reduce cash outflows, data and trend analysis should be considered that identify schools which receive more TransPasses than are necessary [08.04.04].

To address the issue of paying for TransPasses that are not used, School District officials informed us that they discussed with SEPTA the possibility of establishing a "smart card" that can count the number of rides actually taken, with the fares for those rides being the basis for transportation costs. We recommend that District officials continue to pursue this possibility, and any others that will allow SEPTA to determine actual ridership and costs [08.04.05].

Finally, in order to reduce the incentive for converting student TransPasses to TrailPasses that can be used by anyone, the District should consider requesting SEPTA to establish TrailPasses that are to be used only by students and are clearly marked as such [08.04.06].

RESPONSE TO AUDITOR'S REPORT

**SCHOOL DISTRICT OF PHILADELPHIA
OFFICE OF THE CHIEF BUSINESS OFFICER
440 N. BROAD STREET, SUITE 304
PHILADELPHIA, PENNSYLVANIA 19130**

Michael J. Masch
Chief Business Officer

**TELEPHONE (215) 400-4500
FAX (215) 400-4501**

VIA FAX AND REGULAR MAIL

October 2, 2008

Mr. Alan Butkovitz, City Controller
City of Philadelphia
Office of the City Controller
12th Floor, Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Re: Response to City Controller's Report on Review of Student Transpasses – August 2008

Dear Mr. Butkovitz:

The attached document will summarize the School District's formal responses to all matters contained in your audit report issued on September 2, 2008 on the above referenced matter.

I would like to thank you and your staff for your efforts with respect to this audit review.

Sincerely,



Michael J. Masch
Chief Business Officer

/attachment

Cc: Members of the School Reform Commission
Honorable Michael A. Nutter, Mayor
Honorable Anna C. Verna, President
And Honorable Members of City Council
Albert F. Scaperotto, Deputy City Controller, City of Philadelphia
Fred Wise, Audit Administrator, City of Philadelphia
Harvey Rice, Deputy City Controller, City of Philadelphia
Dr. Arlene C. Ackerman, Superintendent of Schools
Marcy F. Blender, Comptroller, School District
Fred Farlino, Interim Deputy of Operations
John Lombardi, Senior Vice President, Transportation Services

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

CONTROLS OVER TRANSPASS ACTIVITY NEED IMPROVEMENT

CITY CONTROLLER'S AUDIT - SEPTA TRANSPASS PROGRAM – AUGUST, 2008

SCHOOL DISTRICT RESPONSE TO FINDINGS AND RECOMMENDATIONS

BACKGROUND

For over 40 years, the School District of Philadelphia provided free tokens for students who met the eligibility requirements. For those who did not meet the eligibility requirements, the School District sold tokens and subsidized their cost. When the program concluded at the end of fiscal year '07, there were approximately 14,000 students (public, non-public, and charter) who received free tokens and approximately 18,000 students (public, non-public, and charter) who purchased subsidized tokens. There were procedures in place for the handling and distribution of both free and subsidized tokens, and audits were performed on a regular basis by the School District's Division of Internal Auditing Services.

In August 2007, Governor Edward Rendell and Senator Vincent Fumo put in place a program that provided free Transpasses to students who lived one and one-half miles or more from school in grades 7 through 12. At this time, SEPTA discontinued the practice of selling student tokens.

For fiscal year '08, there were approximately 56,000 students (34,000 public, 12,000 non-public and 10,000 charters) who received free Transpasses. Prior to implementing the program, training was provided by central administration to the school principals and information regarding the new Transpass program was posted on the School District's web site and communicated through the principal's bulletin board.

While the School District has direct control over the public schools, we must rely on the school principals of the non-public and charter schools for cooperation in the distribution and accountability of the Transpasses for their students.

The following pages contain a summary of the City Controller's findings and recommendations regarding the Transpass program implemented in fiscal year '08 and the School District's responses to these findings.

Lack of Comprehensive Policies and Procedures

Summary of Findings and Recommendations:

- ✦ Controls and accountability over Transpass activity at both the central administrative offices and individual schools needs to be enhanced to improve operations, and reduce the risk of theft and abuse.

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

- ✦ Lack of comprehensive policies and procedures contributed to inconsistent and inappropriate practices at the schools visited.
- ✦ General guidance and training was provided to schools regarding eligibility, usage, and central distribution and return requirements, however, they did not include records retention and reporting requirements.
- ✦ Passes were distributed to ineligible students, and there was an overall lack of accountability for passes received, distributed, and returned.

School District's Response:

- The School District disagrees in part with this finding/recommendation. The School District does have, and has provided to principals, comprehensive policies and procedures and eligibility guidelines for the Transpass Program. These policies and procedures include the responsibility for staff, student eligibility lists, and distribution and accounting procedures. The School District will enhance its policies and procedures to include procedures for records retention and reporting requirements and reinforce compliance.

Inconsistent Practices Found at the School Level

Summary of Findings and Recommendations:

- ✦ Other than the requirement that Transpasses are distributed weekly, each school has been given the opportunity to design their own control practices.
- ✦ Personnel - Transpasses were distributed by various personnel at the schools visited. This practice does not provide the School District with assurance that only personnel with appropriate training are performing these duties.
- ✦ Eligibility - Twenty two students received Transpasses that were not on the School District's computer eligibility lists. Inconsistencies in the use of eligibility listings provided through the School Computer Network.
- ✦ Distribution - At six schools, the person distributing Transpasses checked off or crossed-out students names themselves, while at others students were required to sign or initial the distribution sheet.
- ✦ Record Retention - Two schools discarded the distribution sheets after passes were given out.
- ✦ Reporting - Only five schools prepared summaries designed to account for Transpasses received, issued and returned.

School District's Response:

- The School District disagrees in part with this finding/recommendation. Each school was given and trained in a set of comprehensive, consistent guidelines. At

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

the onset of the free SEPTA Transpass Program in August 2007, principals were provided training on procedures for the distribution and accounting of Transpasses. Principals are required to follow those procedures. In August 2008, new principals received training on the Transpass Program Policies and Procedures. The training was necessary to insure that policies and procedures are followed. In addition, the policies and procedures are posted on the School District Website. Lastly, Regional Superintendents, as part of their responsibility in supervising and evaluating principals, have oversight of the Transpass Program as they do with other financial matters within their Regions.

- Personnel - The School District disagrees with this finding/recommendation. Principals are responsible for supervising the staff members assigned for the distribution and accounting for Transpasses at the school level as they were during the previous token program. Schools are uniquely staffed, in that some staff positions exist in some schools and not others. Therefore, the principal assigns the most appropriate staff member(s) at the school to the Transpass Program. Ultimately, it is the principal who is responsible for the implementation, distribution, and accounting for Transpasses. Lastly, Regional Superintendents, as part of their responsibility in supervising and evaluating principals, have oversight of the Transpass Program as they do with other financial matters within their Regions.
- Eligibility - The School District partially agrees with this finding/recommendation. As stated previously, principals are ultimately responsible for the implementation of the policies and procedures related to the Transpass Program. The policies and procedures inform principals that only eligible students, as determined by Transportation Services, are to receive student Transpasses. To assist the principal in knowing which students are eligible, the School Computer Network provides a daily, printable list of students who are eligible to receive a Transpass. Appropriate action will be taken regarding the violation of this and any other policies and procedures and to reinforce use of only eligibility lists produced from the School Computer Network.
- Distribution - The School District agrees with this finding/recommendation. A procedure will be established by the School District that will clearly identify those students who have received a Transpass. The School District will again review the matter regarding serial numbers with SEPTA; however, previously they indicated that their system does not have the capacity to track usage in this manner.
- Record Retention - The School District agrees with this finding/recommendation. Record retention procedures will be incorporated into the Transpass procedures for Principals and reinforced through training.

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

- Reporting – The School District agrees with this finding/recommendation as it relates to school level summary reporting. Summary reporting procedures and formats will be developed at the school level and incorporated into the Transpass procedures for principals and reinforced through training.

Unaccounted for Transpasses

Summary of Findings and Recommendations:

- ✦ 360 Transpasses were unaccounted for from the one-week test at 13 schools which amounted to \$5,634. The District-wide figure could be considerably higher.
- ✦ There is no way to determine whether unaccounted for passes were due to irregularities or improper record keeping.
- ✦ For a small fee Transpasses can be upgraded to SEPTA Trailpasses, providing unlimited travel for students and adults, therefore the need to strengthen controls over all passes received.

School District's Response:

- The School District disagrees with this finding/recommendation. Although 360 Transpasses were found to be unaccounted for, the actual cost to the School District cited in this report is believed to be overstated as only actual usage is charged. The School District would be affected only to the extent that these passes were distributed to students and actually used. The School District distributes the number of Transpasses to schools based on the eligibility list. Principals are required to distribute Transpasses only to eligible students. Unused Transpasses are returned to the Office of Transportation Services at the end of the month. The School District purchases a Transpass for each student based on a defined set of eligibility criteria. Due to student absences, school and religious holidays, truancy, weather conditions, and other reasons, the District is aware that eligible students, while they receive a Transpass, do not use their Transpass, despite being eligible.
- The School District distributes the number of Transpasses to schools based on the eligibility list as required by law. Principals are required to distribute Transpasses only to eligible students. Unused Transpasses are returned to Transportation Services at the end of the month. The School District purchases a Transpass for each student based on a defined set of eligibility criteria. Due to student absences, school and religious holidays, truancy, weather conditions, and other reasons, the District is aware that eligible students, while they receive a Transpass, do not use their Transpass, despite being eligible.
- As part of the MOU with SEPTA, the School District pays for Transpasses based on "average usage" of Transpasses, rather than the actual number of Transpasses

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

purchased. The School District and SEPTA have agreed on the number of Transpasses that can be accurately tracked on a part of the surface lines. There is also agreement on a formula that was established to estimate usage on the subway system. As a result, the School District has agreed on the "usage" number of Transpasses that it will pay for and therefore is only charged for usage.

- The School District and SEPTA have agreed that an eligible student who receives a Transpass may redeem the Transpass for a SEPTA Trailpass at his or her own expense. Upgrading a Transpass to a Trailpass does not cost the School District anything; it is paid for by the individual student. However, it does highlight the need for schools to go only by the School Computer Network list when giving out Transpasses. Records of distribution should be retained and schools should expect periodic spot checks by Internal Audit Services. If it is determined that Transpasses are being distributed improperly (such as being given to adults to upgrade to a Trailpass), disciplinary action will be taken.

Inadequate Monitoring**Summary of Findings and Recommendations:**

- ✚ The Transportation Services Division relies entirely on schools to control Transpasses issued to them. There are no school visits to determine if the school personnel are properly administering the program.
- ✚ Transportation Services does not reconcile the number of Transpasses issued to each school with the number actually distributed and returned.
- ✚ Transportation Services does not perform formal or trend analysis which may identify irregularities or opportunities for efficiencies.

School District's Response:

- The School District agrees with this finding/recommendation. The School District will require schools to prepare summary reports and send monthly reports to central administration. The School District's Internal Auditor will review these reports periodically for compliance.
- The School District disagrees with this finding/recommendation. The agreement with SEPTA is retroactive to the beginning of the 2008 fiscal year. As such, Transpasses are no longer returned to SEPTA for credit. According to the contract with SEPTA, the School District will be charged only for usage (the actual number of rides taken by students using a student Transpass). Therefore, it is no longer necessary to return Transpasses to SEPTA in order to be credited. However, Transportation Services still requires that schools maintain records of the passes distributed to students and to return all unused Transpasses as an added control and remove the temptation to use a student Transpass "because it gets thrown out any way." The number of returned passes will be reported to central administration on a monthly basis.

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

- The School District disagrees with this finding/recommendation. A student who attends a specific school is officially on roll at that location. If he/she is eligible to receive a Transpass, the Transpass is sent to that school for distribution. If a student transfers schools after Transpasses have been sent to the school, the principal is instructed to return the Transpass if it is not distributed. The number of Transpasses that Transportation distributes is equal to the number of eligible students at that point in time. Once again, this issue is mitigated due to the payment for usage only agreement.

Determining Actual Transpass Usage

Summary of Recommendations and Findings:

- ✚ Without actual ridership data, it is possible that the School District is paying for Transpasses that are not used.

School District's Response:

- Since SEPTA had indicated to the School District that they have no way of determining the exact number of rides, an alternative method was developed. The School District worked with SEPTA officials to develop a formula based on available usage to closely approximate actual usage. The usage percentage is similar to what was experienced with tokens. The School District again will inquire of SEPTA about enhancing their systems to capture all actual usage data.

Recommendations:

- ✚ In order to strengthen controls over the distribution of student Transpasses, we recommend District officials develop comprehensive procedures designed to control and report activity at individual schools. [08.04.01]
- ✚ In order to provide greater accountability over student Transpasses, the District should require each school to prepare and provide the central administration with a reconciliation of the number received, distributed and returned. [08.04.02]
- ✚ Centralized monitoring procedures should also be developed to check for schools' compliance with the distribution and reporting requirements. [08.04.03]
- ✚ In order to reduce cash outflows data and trend analysis should be considered that identify schools which receive more Transpasses than are necessary. [08.04.04]
- ✚ To address the issue of paying for Transpasses that are not used, School District Officials should continue to pursue the possibility of a "smart card", and any others that will allow SEPTA to determine actual ridership costs [08.04.05]

School District of Philadelphia's Responses to Report on Review of Student Transpasses August, 2008 From the Office of the Controller, City of Philadelphia

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- ✦ In order to reduce the incentive for converting student Transpasses to Trailpasses that can be used by anyone, the District should consider requesting SEPTA to establish Trailpasses that are to be used only by students and are clearly marked as such. [08.04.06]

School District's Response:

- [08.04.01] The School District does have, and has provided to principals and parents, comprehensive policies and procedures and eligibility guidelines for the Transpass Program. These policies and procedures include the responsibility for staff, student eligibility lists, and distribution and accounting procedures. Policies and procedures will be strengthened at the individual schools level to include summary reporting and increased controls over distribution and tracking mechanisms. The School District will update its policies and procedures to include procedures for record maintenance and retention.

Principals are ultimately responsible for the implementation of the policies and procedures related to the Transpass Program. The policies and procedures inform principals that only eligible students, as determined by Transportation Services, are to receive student Transpasses. To assist the principal in knowing which students are eligible, the School Computer Network provides a daily, printable list of students who are eligible to receive a Transpass. This will be reinforced to principals. Appropriate action will be taken regarding the violation of any policies and procedures.

- [08.04.02] A consistent procedure will be established by the School District that will clearly identify those students who have received a Transpass. Records of distribution will be retained and schools should expect periodic spot checks by Internal Audit Services. If it is determined that Transpasses are being distributed improperly (such as being given to adults to upgrade to a Trailpass), action will be taken based on the bargaining unit agreement for due process.

The School District will require schools to report information that the School District Internal Auditor will be able to review periodically for compliance.

- [08.04.03] Training programs for principals and assistant principals were provided at the beginning of the 2007/2008 and the 2008/2009 school year. In addition, policies and procedures are posted on the School District's website. Additional training will be provided in October 2008 on the policies and procedures including agreed upon enhancements. The School District will require schools to report information that the School District Auditor will be able to review periodically for compliance.
- [08.04.04] A student who attends a specific school is officially on roll at that location. If he/she is eligible to receive a Transpass, the Transpass is sent to that school for distribution. Should the student transfer schools after Transpasses have been sent to the school, the principal is instructed to return the Transpass if it is

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not distributed. The number of Transpasses that Transportation distributes is equal to the number of eligible students at that point in time.

The School District purchases a Transpass for each student based on a defined set of eligibility criteria by law. Due to student absences, school and religious holidays, truancy, weather conditions, and other reasons, the School District is aware that eligible students, while they receive a Transpass, do not use their Transpass, despite being eligible.

As part of the MOU with SEPTA, the School District pays for Transpasses based on "average usage" of Transpasses, rather than the actual number of Transpasses purchased. The School District and SEPTA have agreed on the number of Transpasses that can be accurately tracked on a part of the surface lines. There is also agreement on a formula that was established to estimate usage on the subway system. As a result, the District has agreed on the "usage" number of Transpasses that it will pay for and monitors this number for reasonableness and accuracy.

- [08.04.05] The School District will continue to discuss with SEPTA the options for developing a more technology-based system for tracking actual usage.
- [08.04.06] The School District and SEPTA have agreed that an eligible student who receives a Transpass may redeem the Transpass for a SEPTA Trailpass at his or her own expense. Upgrading a Transpass to a Trailpass does not cost the District anything; it is paid for by the individual student. The School District will request that SEPTA provide student Trailpasses. SEPTA may decline due to operational issues or may require the District to bear the additional printing cost. A cost-benefit analysis will need to be performed to assess the impact of this recommendation.

Government Auditing Standards require auditors to report instances where the auditee's comments to the auditor's findings, conclusions, or recommendations are not, in the auditor's opinion, valid or do not address the recommendations. We believe this to be the case with regard to the School District's response regarding:

- Lack of Comprehensive Policies and Procedures
- Unaccounted For TransPasses, Inadequate Monitoring

LACK OF COMPREHENSIVE POLICIES AND PROCEDURES

In its response, the District states it provided principals with comprehensive policies and procedures for the TransPass program and that these include staff responsibilities, student eligibility lists, and distribution and accounting procedures. As stated in our report, we found evidence that District officials provided some general training and guidance. The guidance was in the form of power point presentations and instructions regarding student eligibility. We do not consider such guidance to be comprehensive policies and procedures. It did not include instructions regarding accounting and reporting for TransPasses received, distributed, and returned as undistributed. It also did not include specific responsibilities of school personnel, distribution procedures that would provide documentation that only eligible students received passes, and records retention requirements.

UNACCOUNTED FOR TRANSPASSES, INADEQUATE MONITORING

In response to our finding regarding unaccounted for TransPasses and reliance on schools to control their issuance, the District stated that it only pays for actual usage and therefore, there is no need to account for unused passes. We disagree. It is untrue that the District's payments are based on actual usage. The actual usage amounts to which the District refers are based on estimated ridership. Therefore, it is essential for the District to accurately account for all passes received and distributed. If passes are not properly accounted for, the District may be paying for excess passes and may be paying for Passes inappropriately used by individuals other than the students for whom they are intended.

Additionally, the District's response states that unused TransPasses are no longer returned to SEPTA for credit. During the course of our audit, we found credits issued by SEPTA related to returned passes.