

Audit Committee Meeting
Thursday, February 10, 2022 4:30 PM

Dr. Matthew Prophet Education Center -
Windows Cafeteria / Conference Room (Floor
2)
501 N. Dixon St.
Portland, OR 97227

Agenda

1. Introduction
2. Audit Committee-Community Member
3. Office of Internal Performance Audit (OIPA) Activity Status Update
4. Final ACH Audit Report
5. Hardship Petition Transfer Audit - Scoping
6. Discuss OIPA Budget Request for the 2022-23 Year
7. Public Comment

To sign-up for public comment email PublicComment@pps.net or call Kara Bradshaw at 503-916-3906.



Audit Committee Meeting Date: February 10, 2022

Audit Status Update

ACH Audit

- Final ACH Audit report – on today’s agenda.

Hardship Petition Transfer Audit

- Current Audit – scope of the audit on today’s agenda.

Student Body Activity Funds Audit

- Will begin following the Hardship Transfer audit.

ESL audit

- Approved by the Board and has been added to our audit plan.



The Office of Internal Performance Audit

Internal Audit Report

**PPS Automated Clearing House (ACH)
Payment Method Audit - Phase 2**

February, 2021

**Internal Performance Audit Report
ACH Audit - Phase 2
PPS Automated Clearing House (ACH) Payment Method Audit**

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**Internal Performance Audit Report
ACH Audit - Phase 2
PPS Automated Clearing House (ACH) Payment Method Audit**

Letter of Transmittal

February 10, 2022

Portland Public Schools
Audit Committee
501 North Dixon Street
Portland, OR 97227

In January 2021, the Office of Internal Performance Audit issued the initial ACH Payment Method Audit report, which is included in this report as Appendix A. At the time, the school district had not yet restarted its ACH payment program. As a result, in the initial ACH Audit, we reviewed internal controls related to the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program; however, testing of these controls was not performed.

The objective of the ACH Audit - Phase 2 was to test the internal controls related to the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program.

The Office of Internal Performance Audit has completed the ACH Audit - Phase 2. Based on the results of testing performed within the scope of the audit, it is our opinion that, overall, the internal controls over the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program are in place and working efficiently and effectively to mitigate potential fraud and safeguard District funds.

Auditing standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings, if applicable, and conclusions based on our audit objective.

We extend our appreciation to the staff within the Finance Department for their assistance and cooperation during the course of the audit.

We look forward to discussing the report with you at an upcoming Audit Committee meeting. Thank you for your ongoing support of the Office of Internal Performance Auditing.

Janise Hansen

Janise Hansen, CIA
Senior Internal Performance Auditor

Mary Catherine Moore

Mary Catherine Moore
Internal Performance Auditor

**Internal Performance Audit Report
ACH Audit - Phase 2
PPS Automated Clearing House (ACH) Payment Method Audit**

ACH Audit Report - Phase 2

Background Information

In August of 2019, the District experienced a fraudulent transaction attempt through its ACH payment method in the amount of approximately \$2.9 million in District funds. Once the incident was identified, the District immediately took actions to address the fraudulent attempt and reviewed the District's payment processes and procedures to ensure future fraudulent attempts are prevented.

Deputy Superintendent Claire Hertz requested the District's Office of Internal Performance Audit (OIPA) perform the ACH Payment Method Audit post the incident, which the Audit Committee agreed with. The request was submitted and approved by the Board of Education on October 29, 2019, Resolution No. 5988.

In January 2021, the Office of Internal Performance Audit issued the initial ACH Payment Method Audit report, which is included in this report as Appendix A. At the time, the school district had not yet restarted its ACH payment program. As a result, in the initial ACH Audit, we reviewed internal controls related to the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program; however, testing of these controls was not performed.

The objective of the ACH Audit - Phase 2 was to test the internal controls related to the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program.

Roles and Responsibilities

District Accounts Payable management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively.

Compliance with Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS, aka Yellow Book), except that we have not had an external peer review. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Objective

The objective of the ACH Audit - Phase 2 was to test the internal controls related to the setup of new vendors to the ACH payment program and making account information changes for vendors who are enrolled in the ACH payment program.

Scope of the Audit

New ACH payment set-up and updates to ACH bank information that took place from November 2020 through June 5, 2021.

**Internal Performance Audit Report
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Audit Approach and Methodology

To achieve the audit objectives, we performed the following procedures:

- Obtained a report of all requests for new ACH payment set-up and changes to vendors' ACH bank information since the process was re-started in November 2020 through June 5, 2021.
- Reviewed applicable PPS Accounts Payable Internal Control Narrative.
- Performed tests and analysis of the objective areas to support our conclusions.

Conclusion

Based on the results of the testing performed, overall, we found the District's internal controls over setting up vendors in the ACH payment program and updating the vendors' ACH bank information follow best practices in design and appear to be working efficiently and effectively to mitigate potential fraud associated with an ACH payment program and safeguard District funds.

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**Internal Performance Audit Report
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Appendix A - Initial ACH Audit - Issued January 2021



The Office of Internal Performance Audit

Internal Audit Report

**PPS Automated Clearing House (ACH)
Payment Method Audit**

January, 2021

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**Internal Performance Audit Report
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Letter of Transmittal

January 13, 2021

Portland Public Schools
Audit Committee
501 North Dixon Street
Portland, OR 97227

At the October 9, 2019 meeting of the Audit Committee, Deputy Superintendent Claire Hertz requested the Audit Committee to add the Automated Clearing House (ACH) Payment Method Audit to the 2019-20 Audit Plan. The Audit Committee reviewed, supported the addition to the Audit Plan, and recommended the addition of the ACH Payment Method Audit to the Board of Education for approval. The Board of Education approved this addition on October 29, 2019, via Resolution No. 5988.

The objective of the ACH Payment Method Audit was to determine whether internal controls over the District's ACH payment process, follow best practices in design, and are working efficiently and effectively to mitigate potential fraud and safeguard District funds.

On Friday, August 16, 2019, Portland Public Schools (the District) experienced a fraudulent transaction attempt through its ACH payment method in the amount of approximately \$2.9 million in District funds. The Portland Police, the FBI, and PPS' partners at its banking institution quickly responded and recovered all District funds.

Due to the fraudulent transaction attempt, the District suspended enrolling new vendors in the ACH payment program. The District also suspended making changes in vendor payment account information that participate in the ACH payment program. And, if a change to the vendor account information was requested, the District removed the vendor from the ACH payment program and made subsequent payments to the vendor via check until further notice.

As of the end of our field work (November 2020), the District has not restarted its ACH payment program. As a result, we reviewed internal controls related to the setup of new vendors to the ACH payment program and account information changes for vendors who are enrolled in the ACH payment program; however, testing of these controls was not performed.

The Office of Internal Performance Audit has completed the ACH Payment Method Audit. Based on the results of work performed within the scope of the audit, it is our opinion that, overall, the internal controls over the District's ACH payment program follow best practices in design, and are working efficiently and effectively to mitigate potential fraud and safeguard District funds. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

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Auditing standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings, if applicable, and conclusions based on our audit objective.

We extend our appreciation to the staff within Finance Department and the Office of Information Technology for their assistance and cooperation during the course of the audit.

We look forward to discussing the report with you at an upcoming Audit Committee meeting. Thank you for your ongoing support of the Office of Internal Performance Auditing.

Janise Hansen
Janise Hansen, CIA
Senior Internal Performance Auditor

Mary Catherine Moore
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ACH Payment Method Audit Report

Background Information

The Automated Clearing House (ACH) Network is an electronic funds transfer process between bank accounts. The ACH Network essentially acts as a financial hub and helps people and organizations move money from one bank account to another. ACH transactions consist of direct deposits and direct payments.

The District utilizes the ACH Network to process approximately \$269 million and \$353 million in payments for the 2018-19 and 2019-20 fiscal years respectively.

In August of 2019, the District experienced a fraudulent transaction attempt through its ACH payment method in the amount of approximately \$2.9 million in District funds. In a memo to the Audit Committee, the District detailed actions taken, to address the fraudulent transaction attempt. The full memo is included in Appendix A. Below is a list of some of the actions taken by the District's Finance Department:

- Immediately stopped all ACH payments and verified the accuracy on all accounts that were scheduled to be paid on the week of August 19, 2019 and verified the accuracy on all accounts scheduled for payment this week and any ACH change requests submitted in the past six months.
- Finance Department reviewed existing protocols and procedures related to the process for paying suppliers via ACH and updated their internal controls and approval levels.
- Updated the staff training materials and conducted a mandatory training on Fraud Awareness.
- Removed the ACH Enrollment form from the District's website.

Additionally, Deputy Superintendent Claire Hertz requested the District's Office of Internal Performance Audit perform the ACH Payment Method Audit. The Audit Committee reviewed and supported the addition of the ACH Audit to the District's Office of Internal Performance Audit, and agreed to present it to the Board of Education for approval. The Board of Education approved this addition on October 29, 2019, Resolution No. 5988.

Roles and Responsibilities

District Accounts Payable management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS, aka Yellow Book). 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Objective(s)

The objective of the ACH Payment Method Audit was to determine whether internal controls over the District's ACH payment process, follow best practices in design, and are working efficiently and effectively to mitigate potential fraud and safeguard District funds.

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Scope of the Audit

ACH payments made in January 2020 and vendor information changes from January 2020 through May 2020.

Audit Approach and Methodology

To achieve the audit objectives, we performed the following procedures:

- Planned the audit in cooperation with the Finance Department to ensure that we had an understanding of the District's accounts payable processes, policies and procedures.
- Reviewed processes/actions taken by the District (as detailed in the memo to the Audit Committee – see Appendix A) after the attempted ACH fraudulent activity in August 2019.
- Reviewed the reports issued by a global cyber security consultant contracted by the District to perform an investigation after the attempted ACH fraudulent activity.
- Reviewed any internal investigations that were performed.
- Inquired with PPS' Office of Technology and Information Services (OTIS) to determine if any security improvements were implemented or tested to prevent future malicious attempts.
- Analyzed available data to corroborate the information obtained during our walkthroughs.
- Reviewed applicable PPS Accounts Payable Internal Control Narrative and PPS Purchases and Accounts Payable Policy and Procedure.
- Drew on criteria from suggestions made by the District's financial institution.
- Gathered information on ACH payment processing best practices and how to combat fraud from external sources.
- Verified that all Finance staff members completed the mandatory Fraud Awareness training.
- Reviewed segregation of duties in the Finance Department.
- Reviewed appropriateness of Finance staff's access to the District's financial system.
- Utilized a sampling methodology with 95 percent confidence level to select 42 ACH transactions that occurred in January 2020 for testing of ACH payment transactions, and 20 vendor information changes from January 2020 through May 2020.
- Performed tests and analysis of the objective areas to support our conclusions.

Conclusion

Based on the results of the audit, overall we found the District's internal controls over ACH payments follow best practices in design and appear to be working efficiently and effectively to mitigate potential fraud and safeguard District funds. Testing of the District's internal controls for setting up new vendors to the ACH payment program and updating ACH payment information was not completed. When the District has resumed the process for setting up new and updated ACH payments, the Office of Internal Performance Audit will test these internal controls and issue an updated audit report.

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Appendix A: Memo to the Audit Committee**



PORTLAND PUBLIC SCHOOLS
OFFICE OF DEPUTY SUPERINTENDENT
Business and Operations
501 North Dixon Street / Portland, OR 97227
Telephone: (503) 916-3380 / Fax: (503) 916-

Date: August 23, 2019
To: Audit Committee Members
From: Deputy Superintendent, Claire Hertz
Subject: Update on recent fraudulent ACH transaction

This is an update regarding the recent fraudulent ACH transaction that occurred last Friday at PPS. Some of you may have spoken directly with the staff regarding this over the past week. The most important news to note - we received all funds back into our account on Tuesday morning thanks to a lot of support from FBI investigators and the two banking institutions involved in the transaction. Below is a list of actions that we have taken and/or are in progress.

You will also see a message from the Superintendent that we sent out to staff and school communities that was translated into our key languages for families.

Please do not hesitate to reach out to me if you have any questions.

ACTIONS TAKEN/IN PROGRESS/PLANNED:

Finance Department:

- Immediately stopped all ACH payments scheduled to be paid on August 19 and verified the accuracy on all accounts scheduled for payment this week and any ACH change orders submitted in the past six months
- Reviewed existing protocols and procedures related to the process for paying vendors via ACH and added additional internal controls and approval levels
- Updated staff training materials and conducted mandatory training for all finance department staff on Tuesday, Aug. 20
- All new finance staff will be required to complete fraud prevention training before accessing the district's finance information system
- Requested PPS auditors of record, TKW, to immediately launch an investigation of all vendor payment processes, protocols and internal controls; TKW meeting occurred on August 19 to begin this work
- District finance department leaders met with top Wells Fargo executive on Monday to review event and update incident and contact information
- Conferred with Carol Samuels, PPS bond financial advisor, on Monday to confirm disclosure to bondholders is not necessary



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- Removed contracts from our website and will allow access to PPS contract information through our public records request process Removed ACH Enrollment form from district website - vendors will need to request form from finance staff, which will include a verification process confirmed with vendor information already on file with the district

Human Resources:

- Worked in conjunction with IT and Security Services to suspend two employees' access to all PPS systems and buildings August 19
- Both employees placed on paid administrative leave pending investigation
- Providing support to Legal and external investigator on workplace investigation

Law Enforcement/Security:

- Immediately contacted Portland Police Bureau
- Filed Internet Fraud Claim paperwork with FBI
- FBI recovered all funds from fraud incident
- PPS Security Services continues to assist and support law enforcement investigations and inquiries

Legal and Risk Management:

- Consulted outside legal counsel to, among other things, establish priority, direct line of communication with FBI
- Filed claims under relevant district's insurance policy to pay for breach response investigation; assessing whether current coverage limits are sufficient Secured consultant to perform security breach investigation and workplace misconduct investigation
- Along with Finance and IT teams, interfacing with FBI to provide information for criminal investigation

Office of Technology and Information Systems:

- Immediately disabled two employees' email and online access to all PPS systems
- Lead contact on security breach investigation and system assessment

Other notes:

- PPS has secured three external investigations regarding the incident:
 - o Forensic cybersecurity review
 - o Financial systems and control
 - o Workplace process and employee conduct



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SUPERINTENDENT'S MESSAGE TO STAFF AND SCHOOL COMMUNITIES

Dear PPS Staff and School Communities,

We want to let you know that Portland Public Schools has been working since Friday with law enforcement and financial institutions in response to a banking crime involving the district. Fortunately, we have confirmed that the banking institutions involved have frozen the approximately \$2.9 million in district funds that were transferred to a fraudulent account disguised as the account of a legitimate PPS construction contractor. PPS has already begun the process to recover and fully return the funds back to the district, likely within the next several days.

Once we were made aware of this fraudulent transaction on Friday, we immediately notified law enforcement, including the FBI and Portland Police Bureau, as well as the Board of Education. We also began an internal investigation to determine the origin of this transaction and how and why the transaction was processed by PPS.

Following standard procedure, two district employees involved with processing the transaction were placed on paid administrative leave, pending a full investigation. Initial information indicates that the fraud was perpetrated externally and no district employee engaged in criminal activity; however, the district is implementing best practices to investigate this case thoroughly.

All district payment procedures and internal controls are being reviewed, additional protocols and actions have already been identified, and all district finance staff will receive mandatory, updated training this week to reinforce protocols and to ensure updated procedures are in place to prevent incidents like this from occurring. We have conducted an initial review of previous transactions, as well as a review of vendor account management and fund transfer protocols. In addition, we have updated our fraud awareness training materials.

All of this is being followed by a full, independent, external investigation involving outside experts from the fields of online security, financial processes and controls, and workplace fraud. Additionally, the district's external auditor will independently review our financial controls and vendor management protocols.

We are treating this incident with the utmost seriousness. We will continue to cooperate fully with law enforcement to protect school district funds and to apprehend the perpetrators. We thank Portland Police, the FBI, and our partners at Wells Fargo for their quick response and assistance they have extended to PPS over the last four days. Unfortunately, school districts and educational entities around the country have increasingly become targets of financial fraud and cyber security threats. We will use this instance to further strengthen our financial controls and plan to share our experience with other school districts.

Sincerely,

Guadalupe Guerrero
Superintendent





Student Transfers

I) Introduction

Student transfers are accessible to all resident students in district schools and programs through a fair, equitable and consistent process. The district is committed to furthering student achievement, culturally relevant practices, and diversity in admissions that support the Racial Educational Equity Policy (2.10.010-P). The process includes a lottery cycle for transferring into some grades of focus option schools and programs, and a year-round petition request for all other schools and grade levels. This directive also includes transfers initiated by the district when necessary for students to access appropriate services.

The District will provide families and students with information that will enable them to make informed decisions about their choice of educational options. This directive does not apply to nonresident students, alternative education placements, pre-kindergarten admissions, or charter school admissions. All procedural handbooks and guidelines for this administrative directive are available at the district's Enrollment and Transfer Center (ETC) and schools.

II) Definitions

(1) School and program terms

- (a) Neighborhood school. A school serving a designated attendance area and as defined in 6.10.022-P.
- (b) Transfer school. The school to which a student has transferred.
- (c) Enrolled school. The school a student is currently attending.
- (d) Focus option. A school or program of a school structured around a unique curriculum or particular theme and as defined in 6.10.022-P.
- (e) Continuing program. A program that continues from one school grade grouping to the next, often in different school buildings. For example a K-12 language immersion program begins in an elementary school for the K-5 grades, and then continues to a middle school in a different building for the 6-8 grades. Students in continuing programs are pre-approved to continue to the next grade grouping.
- (f) Open Enrollment program. A new or growing focus option school or program that remains open to transfer after the lottery transfer cycle closes. The Superintendent or designee will approve all open enrollment programs, application processes and deadlines annually.



Student Transfers

- (g) School grade grouping. Refers to different school levels: elementary, middle and high school. Elementary schools may begin at PK or K and end at 5th grade or 8th grade. Middle schools contain grades 6-8, and high schools are grades 9-12.
- (2) Student and family terms.
- (a) Siblings. Children with the same parent or supervising adult living together at the same address.
 - (b) Co-enrolled siblings. Siblings who will be enrolled in the same school at the same time. For students applying to focus option programs at schools with multiple programs, co-enrolled sibling status will be assigned at the program, not school, level.
 - (c) Linked siblings. Siblings applying for transfer to the same school and same grade for the same school year. Such siblings may be linked under one student/family number in the lottery so that families have the same outcome for their children who are requesting a transfer.
 - (d) Supervising adult. An adult in a parental relationship as defined in 4.10.047-AD. Supervisory adult status is confirmed by the ETC.
 - (e) Articulating students. Students transitioning from one school grade grouping to the next. For example, fifth graders in elementary school preparing for sixth grade in middle school; eighth graders in middle school preparing for ninth grade in high school.
 - (f) Transfer student. A district student attending a school other than his/her neighborhood school.
 - (g) Resident student. A student who is a resident of the Portland Public School District.
- (3) Admission and transfer terms.
- (a) **Transfer. A formal request by a resident family for a student to attend a school or program other than his/her neighborhood school or to return to his/her neighborhood school from a transfer school. Lottery transfer requests must be submitted by the annual transfer deadline to be considered. Petition transfer requests may be submitted at any time. Transfers are approved to the highest grade of the school where the student transfers.**
 - (b) Lottery transfer cycle. The period of time in which families may request a student transfer to a focus-option school or program for the following school year by submitting a Focus Option Lottery Application.
 - (c) Lottery. A centralized computer software based system that determines student assignment and generates wait lists. The lottery



Student Transfers

process includes admission preferences and equity and diversity factors aimed at eliminating barriers to educational attainment and improving student achievement, as provided in Policy 4.10.051-P Student Enrollment and Transfers.

- (d) **Petition transfer.** A request by the student/family to transfer to a neighborhood school. Petitions are also used to request transfer to focus option grade levels not available during the lottery cycle and all focus option grade levels after the lottery transfer cycle has closed. Petition transfers are considered for students and families only if there are extraordinary circumstances.
- (e) **Extraordinary circumstances.** The basis for granting or denying petition transfers. They include urgent family situations or situations that pose imminent health, safety or serious educational concerns for the student. A list of typical reasons for petition transfer requests is available on the ETC website.
- (f) **Weighted factors.** Factors included in the lottery to ensure that all schools reflect the diversity of the district. Changes to weighted factors require school board approval.

III) Student Transfer Admissions

- (1) All resident families have the right to request a student transfer to a school or program other than their own designated neighborhood school.
 - (a) Students on transfer wishing to return to their neighborhood school must submit a petition transfer request. Requests received during the lottery transfer cycle will be granted for the following school year. Requests received at other times require a verified reason and space availability for approval.
- (2) The deadline for open enrollment at new or growing focus option schools or programs may be later than the standard Focus Option Lottery deadline.
- (3) **Length of transfer.** Transfer students may remain in a school or program to the highest grade of the school or program. Upon completion of the highest grade of the school or program, students are enrolled in their neighborhood feeder pattern school unless they apply for and are granted a transfer to a different school or program.
 - (a) **Exception:** Students enrolled in a program that continues from elementary to middle school and/or middle school to high school are pre-approved to continue without submission of a School Choice Application.
- (4) **Alternative Education Options.** If a transfer student leaves a school to



Student Transfers

enroll in an alternative school, they may return to the transfer school during the same school year. This applies to an expelled student who was placed in an alternative program for the period of expulsion.

- (5) Break in Attendance. If a student stops attending a school or is dropped for non-attendance after ten consecutive days (OAR 581-023-0006(4)(b)) during the school year without enrolling in another school or program, the student may return to the transfer school during that school year. However, if the student does not return to the transfer school during that school year, the transfer is no longer valid for the subsequent years and the student must return to the neighborhood school or request a new transfer. If the student completes a school year but does not return during the first ten days of the subsequent school year, the transfer is no longer valid and the student must return to the neighborhood school or request a petition transfer.

(6) District-Initiated Transfers

- (a) Special education. In order to meet the educational needs of students with disabilities, students may be assigned to specialized program services outside of their neighborhood school.
 - (i) Students with disabilities who receive services outside of their neighborhood school due to a district-initiated transfer and no longer need those services will be allowed to remain at the transfer school through the highest grade.
- (b) Students in special education and students eligible under Section 504 of the Rehabilitation Act of 1973 may request a transfer to another school in the District. In order to be approved, the requested transfer must meet both of the following criteria:
 - (i) The requested transfer must meet District guidelines for student transfers including the lottery process, as described in this administrative directive; and
 - (ii) The requested transfer must not deny the student a free appropriate public education (FAPE)
- (c) Placement by English as a Second Language (ESL) Department. Students who qualify for ESL services may be placed in schools outside of their neighborhood attendance areas.
 - (i) Students requiring ESL services may be offered placement in a school other than their neighborhood school by the ESL Department, based on student's needs and service availability at the neighborhood school.
 - (ii) Students no longer requiring language services outside of their



Student Transfers

neighborhood school will be allowed to remain at the transfer school through the highest grade.

IV) Focus Option Lottery

- (1) Lottery Application. The ETC shall develop a lottery application for focus option school and program admissions that will be widely available to schools and families during the lottery transfer cycle.
 - (a) The Focus Option Lottery Application shall include space for families to provide the following:
 - (i) Student and family information
 - (ii) Sibling information
 - (iii) Up to three school or program choices
 - (iv) The application will also include a brief explanation of the required school-year commitment and the deadline.
 - (b) All students requesting a transfer to a focus option are required to submit a Focus Option Lottery Application by the deadline to be considered in the lottery. The deadline shall be posted on the district's web site and widely publicized in other district communications.
 - (c) Students enrolled in continuing programs such as language immersion programs who wish to continue to the next school grade grouping (middle or high school) of the program are not required to submit a Focus Option Lottery Application.
- (2) Admission requirements for focus options. Focus option schools and programs may have admission requirements for lottery applications, so long as the requirements are the same for all applicants.
 - (a) Requirements may include attendance at informational meetings, completion of statements of understandings or student essays and/or submission of school registration packets within a set timeframe after lottery results have been announced.
 - (b) Information about admission requirements will be available at schools and on the district website. Any focus option with admission requirements must provide multiple opportunities for families to complete the requirements.
 - (c) Families who do not meet requirements will forfeit approval to their requested focus option.

V) Lottery Administration for Student Transfer Requests

- (1) When transfer requests exceed available spaces for focus options, the centralized lottery determines student assignment and generates wait lists. The ETC conducts all lotteries and notifies families of the results.



Student Transfers

- (2) Lottery Information. A detailed description of all lottery preferences and weights will be available on the district's website during the transfer cycle.
- (3) Preferences. The lottery allows for preferences in the following order:
 - (a) Students continuing from their previous school grade grouping if required by the focus option plan of operations.
 - (b) Students required by state or federal law or other District policy to receive priority.
 - (c) A student whose sibling is enrolled at the same time in the student's first choice focus option.
 - (d) Students who qualify to receive free and reduced-price meals or attend a Head Start Pre-kindergarten program, in a proportion corresponding to a district-wide average. The preference will occur at focus options where the rate of enrolled students in the school who qualify for free and reduced-price meals is lower than the district-wide average.
 - (e) Resident students who have submitted an on-time lottery transfer request.
- (4) Weighted factors. A weighted factor for gender is included in the focus option lottery. Gender balance is measured by a school's current percentage of boys and girls with the District's overall percentage. Students who improve the gender balance at their school are weighted in the lottery.
- (5) Linked siblings. Siblings applying for transfer to the same school and same grade for the same school year may link their names under one student/family number in the lottery.
- (6) Early Entry. Families requesting early entry into Kindergarten or first grade must follow all of the procedures outlined in the application process on the Talented and Gifted webpage. Kindergarten early entry applicants are eligible to apply for lottery transfer if they complete a cognitive evaluation before the close of the lottery application period. If a kindergarten applicant is found non-eligible for early entry, the lottery application will be withdrawn. First grade early entry applicants must apply for kindergarten in the lottery. If the child is approved through the lottery, s/he will enter kindergarten at the requested school and once enrolled, will contact the Talented and Gifted Office to begin the early entry process into first grade.
- (7) Language Immersion Program Openings. A proportion of available spaces may be allocated for native language speakers and/or for students living in the neighborhood of the school in which the program is located.
- (8) Notification of lottery results. The ETC will send families a letter with the results of the lottery. Families must then contact the approved transfer school for enrollment



Student Transfers

information.

- (a) Parents may withdraw their transfer request by contacting the ETC within ten days of receiving their notice. After withdrawing a transfer request, students are assigned to their currently enrolled school or neighborhood school if the student is articulating to the next grade grouping.

VI) Wait List Management for Student Transfer Requests

- (1) The centralized lottery also generates the wait list for each focus option school and program that has more applicants than spaces. The wait list is based on the same weighted factors and preferences as the lottery. Outside of the lottery, students who petition may be placed on wait lists if the ETC has verified that they have a valid reason for transfer, but there is currently no grade-appropriate space available at the requested school.
- (2) The wait list generated by the lottery shall be limited to a designated number of transfer students. The number of students allowed on any given wait list is determined by the ETC and school principal using a standard formula. As a result, a student might not be drawn from the wait list for any school he or she requested. In that case, the student is assigned to his or her neighborhood school (if articulating to the next grade grouping) or currently enrolled school.
- (3) The ETC manages and maintains all wait lists for schools and programs.
 - (a) Wait lists remain active until the 20th day of school.
 - (i) Students are expected to attend their assigned school while remaining on a wait list.
 - (ii) Students may keep an approved choice and stay on the wait list of a higher choice until the wait list expires.
 - (iii) Should an opening become available beyond the 20th school day, school and program administrators will be consulted to determine whether the space should be filled at that time or held for the following transfer cycle. If the space is to be filled at the time, families will be contacted in the order last provided by the expired wait list.
- (4) Immersion programs may prioritize applicants who are English-Language Learners when filling openings that occur during the school year.

VII) Petition Transfers

A petition transfer is a request to transfer to a school other than a student's neighborhood or currently enrolled school based on extraordinary circumstances.



Student Transfers

(1) Process for Filing a Petition Transfer

- (a) Before a Petition Transfer Form is filed by the family, the family and school staff should discuss ways to resolve the concerns and help the student and the family recommit to the enrolled school.
- (b) When a family requests a transfer for health reasons, safety reasons or an urgent family situation the ETC will expedite the process.
- (c) Students and their families initiate a petition transfer.
- (d) Petition Transfer Forms may be obtained from the ETC or from the school.
- (e) The ETC will make available information to assist families in completing petition transfer requests, including a list of frequent reasons for transfer and a scale used to evaluate petition reasons. ETC staff will seek input from the principal and/or other staff at the student's assigned school before deciding whether a family has presented a valid reason for transfer.
- (f) Reassignment. Reassignment determines the school to which a student is assigned after being granted a petition transfer. The Petition Transfer Form includes a section which asks for information to enable the ETC to consider schools for reassignment based on the family's transportation needs, desired school characteristics, and if the student wishes to return to his/her neighborhood school. Families may list up to three schools and why they consider them appropriate; however, there is no guarantee that the student will be reassigned to any of the listed schools.

(2) Petition Transfer Notification

- (a) Students remain in their enrolled school until a decision is made by the ETC to grant or deny the petition transfer request.
- (b) If the family's petition transfer is granted, the ETC shall first facilitate communication among the principal of the enrolled school and potential receiving principals. The family will receive a letter with reassignment information. The school designated for reassignment by the ETC is final. If the family refuses the assigned school, the student is expected to return to the enrolled school.
- (c) If the family's petition transfer is denied, the ETC notifies the family with a letter that explains the reason for the denial. The student remains in the enrolled school unless an appeal is filed and granted.

VIII) Appeals Process

- (1) The family may appeal the ETC's decision to deny a petition transfer by



Student Transfers

submitting a letter explaining the reason for the appeal and any additional information or documentation. An appeal may be granted on two grounds:

- (a) Failure of the school or ETC to follow the established petition process, or
 - (b) New substantial information related to the petition transfer request.
- (2) The ETC shall forward to the Senior Director (or designee) for the enrolled school all documents related to the petition transfer, including the reason for the denial, and documentation of extraordinary circumstances.
- (3) The Senior Director or designee for the enrolled school shall review the ETC decision. The Senior Director's or designee's decision is final.
- (a) The appeals process shall be completed within ten working days from the time the appeal is received at the ETC. The Senior Director or designee sends the written decision to the family.

Policy reference: 4.10.051-P

History: This AD number formerly was assigned to Boundary Changes, which is now 4.10.055-AD. Amd 7/2004, Amd 10/2006, Amd 4/2007; Amd 3/2009; Amd 3/2015

Hardship Petition Transfers Audit
Scoping Discussion with the Audit Committee
February 10, 2022

Terminology

Policy allows for transfers to a different neighborhood school, or for transfers to a focus option after the lottery has closed, the **petition transfer** process will provide review of applications on an individualized basis and states:

(2) The superintendent shall establish protocols and procedures, including deadlines and an appeals process, for lottery and petition transfers and for inter district transfers.

(3) The superintendent shall establish a process for determining if space is available in a particular school or program.

The AD states: A petition transfer is a request to transfer to a school other than a student’s neighborhood or currently enrolled school based on **extraordinary circumstances**

For purposes of this audit, a “Hardship Petition Transfer” is a petition to transfer to a different school based on extraordinary circumstances.

Item	Details	Test/Procedures
Policy and AD	Board Policy 4.10.051-P states in part: VIII. Student Transfer Process (2) The superintendent shall establish protocols and procedures, including deadlines and an appeals process, for lottery and petition transfers and for inter district transfers.	Review internal controls and established protocols and procedures to ensure they are compliant with Board policy:

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<p>Policy and AD</p>	<p>(3) The superintendent shall establish a process for determining if space is available in a particular school or program.</p> <p>(5) For transfers to a different neighborhood school, or for transfers to a focus option after the lottery has closed, the petition transfer process will provide review of applications on an individualized basis. The superintendent shall establish clear, flexible, culturally relevant protocols and standards to the petition transfer process. In addition, the superintendent shall establish a process to collect and monitor data from petition transfer requests to ensure equitable processes and decision making and to identify areas of improvement in neighborhood schools.</p> <p>Administrative Directive 4.10.051-AD states in part:</p>	<p>Specifically:</p> <ul style="list-style-type: none"> • Are established protocols and procedures clear, flexible, culturally relevant • Do established protocols and procedures establish a process to collect and monitor data from petition transfer requests to ensure equitable processes and decision making and to identify areas of improvement in neighborhood schools
<p>Policy and AD</p>	<p>(d) Petition transfer. A request by the student/family to transfer to a neighborhood school. Petitions are also used to request transfer to focus option grade levels not available during the lottery cycle and all focus option grade levels after the lottery transfer cycle has closed. Petition transfers are considered for students and families only if there are extraordinary circumstances.</p> <p>(e) Extraordinary circumstances. The basis for granting or denying petition transfers. They include urgent family situations or situations that pose imminent health, safety or serious educational concerns for the student.</p>	<p>Question for Audit Committee: Any specific elements of Board Policy 4.10.051 or the related administrative directive that you want us to consider testing?</p>

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	<p>A list of typical reasons for petition transfer request is available on the ETC website.</p>	
<p>Data</p>	<p>As noted in the policy:</p> <p>... the superintendent shall establish a process to collect and monitor data from petition transfer requests to ensure equitable processes and decision making and to identify areas of improvement in neighborhood schools.</p>	<p>Analyze the data for trends in hardship petition transfer requests.</p> <p>Disaggregate data by:</p> <ul style="list-style-type: none"> • Attendance area • School • Race • Grade <p>Over the last 4 years</p> <ul style="list-style-type: none"> • 2021-22 • 2020-21 • 2019-20 • 2018-19 <p>Assess internal controls in place to ensure the collection and monitoring data from petition transfer request to ensure equitable processes and decision making and to identify areas of improvement in neighborhood schools.</p> <p>Answer the following:</p> <ul style="list-style-type: none"> • Is there an indication that students are requesting transfer out of any specific school(s)?

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		<p>Question for Audit Committee: Are there any specific elements in the data that you would like to see an analysis of? Or graphs of? Etc.</p>
<p>Hardship petition transfer requests</p>	<p>We will obtain a complete list of hardship petition transfer requests (regardless of outcome) over the last four years.</p> <p>From this complete list, we will select individual requests for testing.</p>	<p>We will use a sampling methodology to select individual requests for testing.</p> <p>Question for Audit Committee: In addition to a sampling for testing, are there any specific categories you would like tested?</p>
Testing elements:		
<p>Testing Elements</p>	<p>Each individual request selected for testing will be tested for complete compliance with the policy, AD, and established protocols and procedures including deadlines and the appeals process.</p> <p>The below is a list of specific testing elements is not a complete list of all testing elements; they are to serve as examples of some of the testing elements that will be included:</p> <p>Test selected hardship petition transfer request to determine if the approval/denial of hardship petition transfer request are consistent.</p> <p>Test to determine whether students returned to their neighborhood school following the completion of the highest grade at the approved transfer school, or if another hardship petition transfer was submitted and approved.</p>	<p>Question for Audit Committee: In addition to the testing elements identified, are there any specific elements you would like to see tested?</p>

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	<p>Test selected hardship petition transfers that were appealed to determine whether the appeal process was followed as described in the AD.</p> <p>Test to determine if before a hardship petition transfer is filed by the family, the family and school staff has discussed ways to resolve the concerns and help the student and the family recommit to the enrolled school.</p> <p>Reassignment determines the school to which a student is assigned after being granted a petition transfer. The Petition Transfer Form includes a section which asks for information to enable the ETC to consider schools for reassignment based on the family’s transportation needs, desired school characteristics, and if the student wishes to return to his/her neighborhood school. Families may list up to three schools and why they consider them appropriate; however, there is no guarantee that the student will be reassigned to any of the listed schools.</p> <ul style="list-style-type: none"> • Test to determine if reassignment decisions are consistent and supported by adequate documentation. 	

4.10.051-P Student Enrollment and Transfers

I. Policy Purpose

The purpose of this policy is to provide equal access to educational options for all resident students through an open, fair and accessible process and to promote equity and diversity in student transfers and admissions through alignment with the Educational Options Policy (6.10.022-P). The policy furthers the Student Achievement Policy (6.10.010-P), the district's Racial Educational Equity Policy (2.10.010-P), and other district policies and state and federal requirements.

II. General Policy Statement

All Portland Public School students have the right to attend their neighborhood school, except in extraordinary circumstances as described in Section IV. All Portland Public School students have the right to request a transfer to attend any grade- appropriate school or program in the district. The Board is committed to families and students having equitable access to a broad portfolio of educational options. The district has the responsibility, through its centralized coordination of information, outreach, and support services, to provide families and students with information and advice that will enable families and students to make informed decisions about their choice of educational options.

III. Definitions

(1) School and student terms

- (a) Neighborhood school. A school serving a designated attendance area and as defined in 6.10.022-P .
- (b) Focus option. A separate school or program structured around a unique curriculum or particular theme and as defined in 6.10.022-P.
- (c) Transfer school. The school to which a student has transferred.
- (d) Transfer student. A district student attending a school other than his/her neighborhood school.
- (e) Resident student. A student who is a resident of the Portland Public School district.
- (f) Nonresident. A student from another district attending a PPS district school on inter-district transfer.

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(g) Sibling. Children with the same parent or supervising adult living together at the same address.

(2) Admission and transfer terms

(a) Transfer: A formal request by a district family for a student to attend a school other than their neighborhood school or to return to their neighborhood school. There are two types of transfers:

(A) Lottery transfers: a request to transfer to a focus option. Lottery transfers are based on space availability and preferences.

(B) Petition transfers: a request to transfer to a different neighborhood school, or to a focus option after the lottery transfer process has closed.

(b) Enrollment: The process for accounting for students in schools.

(c) Feeder pattern: A designated path for students to advance from one school grade grouping to another.

IV. Policy Scope

This policy does not apply to nonresident students, alternative education placements, pre-kindergarten admissions, or charter school admissions. In order to meet the educational needs of students with disabilities, those students may be assigned to specialized program services outside of their neighborhood school. The district also shall be in compliance with all federal and state laws and regulations regarding student enrollment and transfers.

V. Admission

(1) By area of residence. Students have a right to attend the neighborhood school where they reside with their parent or supervising adult, except as provided in Section IV. This right extends to students returning to their neighborhood school with a petition transfer request and to families with students new to the district.

(2) By transfer. All students have the right to request a transfer to a school or program other than their own assigned neighborhood school.

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- (a) Transfers to a different neighborhood school: requests to transfer to a different neighborhood school will be considered through the petition process. Petitions will be considered on an individual basis based on a standard set of criteria, taking into consideration available space at the requested school.
- (b) Transfers to a focus option: requests to transfer to a focus option shall be considered through a lottery process and a petition process after the lottery transfer process has closed. A transfer request to a focus option is granted based on an on-time transfer request, space availability, admission criteria if any and preferences.
- (3) Admission criteria for focus option schools or programs
- (a) Admission criteria to any District school or program shall be the same for neighborhood and transfer students.
- (b) Admission criteria shall be clear, objective and directly related to the educational goals of the focus option and the district. A school or program may require the family and student to indicate an understanding of program expectations prior to enrollment.
- (c) Middle and high school focus options may have admission criteria as specified in the operations plan required in 6.10.022-P.
- (d) Elementary focus options shall have no admission criteria except for language criteria for dual language immersion and late entry for language immersion options.

VI. Enrollment

- (1) Students are expected and encouraged to remain in the same program or school in which they are enrolled for the school year, except in cases of extraordinary circumstances. Schools shall collaborate with families, students and staff to meet the needs of students for that school year.
- (2) Students enrolled in a transfer school do not have to reapply until completion of all grades in that school.
- (3) Upon completion of a school grade grouping, students are enrolled in their neighborhood feeder pattern school, except as

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provided in (4) and (5) below. Students who want to attend a school other than their neighborhood school shall follow the admission procedures in Section V.

- (4) Students admitted to a focus option that continues from one school grade grouping to another do not need to reapply for admission during these transitions except as provided in the focus option plan of operations.
- (5) Students enrolled in a curriculum that includes different school grade groupings may enroll in the school with the higher grade grouping after completion of the previous grade grouping.

VII. Preferences

- (1) For focus option schools and programs, if lottery transfer requests exceed available spaces and the student meets admission criteria, if any, the following preferences determine priority placement in the following order:
 - (a) Students continuing from their previous school grade grouping if required by the focus option plan of operations.
 - (b) Students required by state or federal law or other district policy to receive priority.
 - (c) A student whose sibling is enrolled at the same time in the student's first choice elementary, middle school or high school or program that includes other school grade groupings.
 - (d) Students who qualify to receive free and reduced-price meals, or qualify for enrollment in a Head Start Program, in a proportion corresponding to a district-wide average. The preference will occur at schools where the rate of enrolled students who qualify for free and reduced-price meals is lower than the district-wide average.
 - (e) Resident students who have submitted an on-time lottery transfer request.
- (2) If, after the lottery, staff identifies that there were applicants eligible for free and reduced meals, up to the district average, not approved due to the number of sibling applicants, the Board will review the order of preferences.

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- (3) A focus option may make special provision in its Board-approved plan of operations for admitting students from particular attendance areas.

VIII. Student Transfer Process

- (1) Student transfer decisions shall be facilitated by the administrator assigned to coordinate student transfers.
- (2) The superintendent shall establish protocols and procedures, including deadlines and an appeals process, for lottery and petition transfers and for inter district transfers.
- (3) The superintendent shall establish a process for determining if space is available in a particular school or program.
- (4) For focus options, the superintendent shall establish a process for admitting students by a centrally administered lottery for students who submit an on-time lottery transfer request and meet admission criteria, if any, and there are more applicants than available space.
- (5) For transfers to a different neighborhood school, or for transfers to a focus option after the lottery has closed, the petition transfer process will provide review of applications on an individualized basis. The superintendent shall establish clear, flexible, culturally relevant protocols and standards to the petition transfer process. In addition, the superintendent shall establish a process to collect and monitor data from petition transfer requests to ensure equitable processes and decision-making and to identify areas of improvement in neighborhood schools.
- (6) To support overall district goals and equal educational opportunities for all students, the transfer process also shall include factors as needed to promote equity and diversity in student admissions. The factors shall be based on the district's Racial Educational Equity Policy (2.10.010-P) and the Student Achievement Policy (6.10.010-P). The factors and process for how they shall be weighted in the lottery process shall be approved by the Board.
- (7) The wait list established for a focus option school or program shall be randomly determined by the lottery, incorporating preferences and weighting as provided in this policy.

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IX. Non-Discrimination

- (1) All schools and programs offered by the district shall be open to all students without discrimination based on any factors provided for by state and federal laws and regulations and as provided in 1.80.020-P.

X. Policy Implementation and Effective Dates

- (1) The superintendent shall develop administrative directives to implement this policy and a plan to transition to the new policy.
- (2) This policy shall be implemented for the school year 2015-16.

Legal References:

History: Approved 5/12/03; Amended 1/24/2005; 1/2015