

# PERFORMANCE AUDIT

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## Delaware County Intermediate Unit 25 Delaware County, Pennsylvania

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August 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Edward J. Cardow, Board President  
Delaware County Intermediate Unit 25  
200 Yale Avenue  
Morton, Pennsylvania 19070

Dear Governor Corbett and Mr. Cardow:

We conducted a performance audit of the Delaware County Intermediate Unit 25 (Intermediate Unit) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period October 15, 2010 through March 5, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the Intermediate Unit complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendation have been discussed with the Intermediate Unit's management, and their responses are included in the audit report. We believe the implementation of our recommendation will improve the Intermediate Unit's operations and facilitate compliance with legal and administrative requirements. We appreciate the Intermediate Unit's cooperation during the conduct of the audit.

Sincerely,

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

Eugene A. DePasquale  
Auditor General

August 14, 2014

cc: **DELAWARE COUNTY INTERMEDIATE UNIT 25** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Delaware County Intermediate Unit 25 (Intermediate Unit) in Delaware County. Our audit sought to answer certain questions regarding the Intermediate Unit's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the Intermediate Unit in response to our prior audit recommendations.

Our audit scope covered the period October 15, 2010 through March 5, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

### **Intermediate Unit Background**

The Intermediate Unit is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the fifteen (15) participating school districts, nonpublic schools, and institutions in Delaware County. A fifteen-member board appointed by the participating school districts on a rotating basis governs the Intermediate Unit. The administrative office is located at 200 Yale Avenue, Morton, Pennsylvania, 19070.

The programs offered by the Intermediate Unit served 1,915 students in public schools and 17,284 students in nonpublic schools.

The staff consisted of 21 administrators, 254 teachers, and 486 full-time and part-time support personnel.

The accounts of the Intermediate Unit are organized based on programs and account groups, each of which are considered a separate accounting entity. Intermediate Unit resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs, which receive Commonwealth funds, are accounted for as follows:

### **General Fund**

The general fund is the primary operating fund of the Intermediate Unit. It is used to account for all financial resources and accounts for the general governmental activities of the Intermediate Unit.

Services provided to participating school districts through the general fund included:

- . administration.
- . curriculum development and instructional improvement.
- . educational planning.
- . instructional materials.
- . management services.
- . continuing professional education.

- pupil personnel.
- state and federal liaison.
- nonpublic program subsidy - Act 89.

The Intermediate Unit received \$9.4 million from the Commonwealth in general operating funds in the 2011-12 school year.

### **Special Revenue Fund**

The special revenue fund accounts for the financial resources received to provide, maintain, administer, supervise, and operate schools, classes, service programs, and transportation for exceptional children in accordance with the school laws of Pennsylvania and the approved intermediate unit plan for special education. The special revenue fund accounts for financial resources available for programs and services for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The special education program offered services at all grade levels for a pupil whose physical, mental, or emotional needs required such services. If appropriate facilities were not available in a neighborhood school, the Intermediate Unit provided the necessary transportation.

Special education programs included:

- gifted support.
- learning support.
- life skilled support.
- emotional support.
- deaf or hearing impaired support.

- blind or visually impaired support.
- speech and language support.
- physical support.
- autistic support.
- multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. Intermediate units received direct funding for certain institutionalized children programs, CORE services, special payments to certain intermediate units, and a contingency fund.

The Intermediate Unit received \$14.8 million from the Commonwealth in special revenue funds in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found that the Intermediate Unit complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

#### **Finding: School Bus Driver**

**Qualifications Deficiencies.** Our audit of the Delaware County Intermediate Unit 25 (Intermediate Unit) found that the Intermediate Unit did not have the Pennsylvania State Police Criminal Background Check, required by the Public School Code, on file for one (1) individual employed by one of the Intermediate Unit's transportation contractors (see page 7).

#### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the

Delaware County Intermediate Unit 25 (Intermediate Unit) from an audit released on October 25, 2011, we found that the Intermediate Unit had not taken appropriate corrective action in implementing our recommendations pertaining to school bus drivers' qualifications as evidenced by the current finding. We found that the Intermediate Unit had taken appropriate corrective action in implementing our recommendations pertaining to administrative policies regarding bus drivers qualifications (see page 10).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

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

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period October 15, 2010 through March 5, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2010 through December 3, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

While all LEAs have the same school years, some LEAs have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the Intermediate Unit's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Did the Intermediate Unit, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?

- ✓ Did the Intermediate Unit have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the Intermediate Unit's fiscal viability?
- ✓ Did the Intermediate Unit take appropriate steps to ensure school safety?
- ✓ Did the Intermediate Unit have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the Intermediate Unit take appropriate corrective action to address recommendations made in our prior audit?

## Methodology

### *What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Intermediate Unit's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Intermediate Unit is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the Intermediate Unit's internal controls, including any information technology controls, as they relate to the Intermediate Unit's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of



our audit and determined to be significant within the context of our audit objectives are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the Intermediate Unit's operations.

To determine the status of our audit recommendations made in a prior audit report released on October 25, 2011, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

#### *Criteria relevant to the finding:*

Public School Code (PSC)  
Section 111 (24 P.S. § 1-111)  
requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired. Section 111 also requires applicants to submit a copy of the federal criminal history record with the application for employment.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

### School Bus Driver Qualifications Deficiencies

Our audit of the Delaware County Intermediate Unit 25's (Intermediate Unit) school bus drivers' qualifications for the 2013-14 school year found that one (1) individual employed by one of the Intermediate Unit's contractors did not possess the Pennsylvania State Police Criminal Background Checks (known as Act 34 clearances) required by the Public School Code (PSC), Section 111. This deficiency was also noted in the prior audit of the Intermediate Unit.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following five (5) requirements:

1. Possession of a valid driver's license.
2. Completion of school bus driver skills and safety training.
3. Passing a physical examination.
4. Lack of convictions for certain criminal offenses.
5. Official child abuse clearance statement.

The first three (3) requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained further in the box to the left, the fourth and fifth requirements were set by the PSC and the Child Protective Services Law, respectively.

On January 6, 2014, we informed the Intermediate Unit's management of the missing Act 34 clearance for the one (1) van driver and instructed them to obtain the necessary documents. As of March 5, 2014, the last day of our audit fieldwork, the Act 34 clearance was not received. The Intermediate Unit's management indicated this deficiency was due to a clerical error.

If unqualified drivers transport students, there is an increased risk to the safety and welfare of students. Intermediate Unit management is responsible for ensuring internal controls over bus drivers qualifications are in place and working as intended.

### **Recommendations**

The *Delaware County Intermediate Unit 25* should:

Establish procedures to obtain and retain the required qualifications for all drivers, both local education agency and contracted, who transport students. This procedure should also ensure that the Intermediate Unit's files are up-to-date and complete for all drivers.

### **Management Response**

Management stated the following:

“During the course of the audit it was discovered that one of the bus drivers employed by a 3<sup>rd</sup> party contractor used by the DCIU did not have all their necessary clearances. Specifically, this driver had the federal background check, Pa. child abuse clearance and a copy of a valid driver's license, but was missing the Act 34 clearance. Upon investigation, it was determined that this was a clerical error.

In order to prevent this issue from occurring in the future the DCIU is developing proactive and reactive steps. Proactively, we will develop an addendum to be included in all service contracts. This document will require contractors to provide proof of all necessary clearances prior to the commencement of any work.

They will be required to provide these clearances for all active employees engaged in providing services directly [to] the DCIU. In addition, they will be required to provide clearances for an additional 20% of employees who may be utilized in a temporary fashion. On a yearly basis, the contractor will provide an updated list of all employees to be used.

Reactively, the DCIU will develop communication steps to be utilized in the event DCIU employees observe unknown

drivers or monitors. These steps will provide detailed and clear instructions as to who should be notified when an unfamiliar driver or monitor is observed.”

### **Auditor Conclusion**

We are encouraged that the Intermediate Unit is taking action to address this deficiency. We will follow up on the status of our recommendation during our next cyclical audit of the Intermediate Unit.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Delaware County Intermediate Unit (Intermediate Unit) released on October 25, 2011, resulted in one (1) finding and one (1) observation. The finding pertained to school bus drivers' qualifications, and the observation pertained to administrative policies regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the Intermediate Unit to implement our prior audit recommendations. We performed audit procedures and interviewed Intermediate Unit personnel regarding the prior finding and observation. As shown below, we found that the Intermediate Unit did not implement our recommendations related to school bus drivers qualification but did implement our recommendations related to administrative policies regarding bus drivers qualifications.

### **Auditor General Performance Audit Report Released on October 25, 2011**

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<b>Finding:</b>	<b>School Bus Driver Qualifications Deficiencies</b>
<u>Finding Summary:</u>	Our audit found five (5) individuals employed by one (1) of the Intermediate Unit's contractors did not possess the Pennsylvania State Police Criminal Background Checks required by the Public School Code, Section 111.
<u>Recommendations:</u>	<p>Our audit finding recommended that the Intermediate Unit should:</p> <ol style="list-style-type: none"><li>1. Ensure that the Intermediate Unit's transportation coordinator receives accurate list of drivers from the contractor and reviews each driver's qualifications prior to that person transporting students.</li><li>2. Establish procedures to obtain and retain the required qualifications for all drivers who transport students. This procedure should also ensure that the Intermediate Unit's files are up-to-date and complete.</li></ol>
<u>Current Status:</u>	During our current audit, we found that the Intermediate Unit did not implement our recommendations as evidenced by the finding in the current audit (see page 7).

**Observation:** **Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers Qualifications**

Observation  
Summary:

Our audit found that neither the Intermediate Unit nor the transportation contractors had adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses, which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations:

Our audit observation recommended that the Intermediate Unit should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the Intermediate Unit is notified when current employees of the Intermediate Unit's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status:

During our current audit, we found that the Intermediate Unit did implement our prior recommendations.

## **Distribution List**

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This report was initially distributed to the Executive Director of the Intermediate Unit, the Board of School Directors, our website at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Carolyn Dumaresq  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

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This report is a matter of public record and is available online at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditor.gen.state.pa.us](mailto:news@auditor.gen.state.pa.us).