



**SHARPSVILLE AREA SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MARCH 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Bill Henwood, Board President
Sharpsville Area School District
701 Pierce Avenue
Sharpsville, Pennsylvania 16150

Dear Governor Corbett and Mr. Henwood:

We conducted a performance audit of the Sharpsville Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period March 1, 2012 through January 30, 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, 2011 and June 30, 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 District 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 recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

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

EUGENE A. DEPASQUALE
Auditor General

March 6, 2014

cc: **SHARPSVILLE AREA SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding – Failure to Have All School Bus Drivers’ Qualifications on File	5
Status of Prior Audit Findings and Observations	8
Distribution List	9

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Sharpsville Area School District (District) in Mercer County. Our audit sought to answer certain questions regarding the District'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 District in response to our prior audit recommendations.

Our audit scope covered the period March 1, 2012 through January 30, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 29 square miles. According to 2010 federal census data, it serves a resident population of 7,408. According to District officials, the District provided basic educational services to 1,326 pupils through the employment of 82 teachers, 53 full-time and part-time support personnel, and seven (7) administrators during the 2011-12 school year. The District received \$8,587,040 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District 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: Failure to Have All School Bus Drivers' Qualifications on File. Our audit of the Sharpsville Area School District's (District) bus drivers' qualifications for the 2013-2014 school year found that the District did not have all of the correct records on file at the time of the audit (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Sharpsville Area School District (District) from an audit released on June 19, 2012, we found that the District had not taken appropriate corrective action in implementing all of our recommendations pertaining to failure to have all school bus drivers' qualifications on file (see page 8).

Audit Scope, Objectives, and Methodology

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 March 1, 2012 through January 30, 2014, except for the verification of professional employee certification, which was performed for the period January 26, 2012 through November 26, 2013.

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

While all districts have the same school years, some 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 District'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?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District, 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 District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District 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 District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District 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 District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

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.

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.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District 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 District's internal controls, including any information technology controls, as they relate to the District'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 District's operations.

To determine the status of our audit recommendations made in a prior audit report released on June 19, 2012, we reviewed the District's response to PDE. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

Criteria relevant to the finding:

Section 111 of the Public School Code (PSC), 24 P.S. § 1-111 (Act 34 of 1985, as amended, 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 for certain offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Additionally, as of April 1, 2007, under Act 114 of 2006, as amended (see 24 P.S. § 1-111 (c.1)), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who have contact with children, and make determination regarding the fitness of the individual to have contact with children. The Act requires the report to be reviewed in a manner prescribed by the Pennsylvania Department of Education. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

Failure to Have All School Bus Drivers' Qualifications on File

Our audit of the Sharpsville Area School District's (District) bus drivers' qualifications for the 2013-14 school year found that the District did not have all of the correct records on file at the time of the audit.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The purpose of these requirements is to ensure the safety and welfare of the students transported in school buses.

We reviewed the personnel records of fourteen (14) newly hired bus drivers employed by the District's pupil transportation contractor. They were hired since our prior audit review, which was completed on March 1, 2012.

Our review found five (5) drivers with Pennsylvania criminal and child abuse clearances that were older than one (1) year. Of those five (5), three (3) had federal criminal history records that were older than one (1) year, and two (2) did not have a federal criminal history record on file.

According to District personnel, the District's current transportation contractor reassigns drivers among all of the districts that have contracts with them, as a result, the drivers' dates of hire at the contractor remains static, but the date that the drivers are approved by the various districts can change if a driver is moved. The contractor uses the date that it hired the driver for the purpose of determining when new clearances were needed. However, State Board of Education Regulations, 22 Pa Code § 23.4(1), states that district boards of directors are responsible for the selection and approval of bus drivers.

*Criteria relevant to the finding
(continued):*

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, known as Act 151, requires prospective employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in a founded report for school employee.

Regarding the maintenance of documentation, Section 111 (7)(b) of the PSC, 24 P.S. § 1-111(7)(b), provides, in part:

“Administrators shall maintain a copy of the required information and shall require each applicant to produce the original document prior to employment ...”

Additionally, Chapter 23 of the State Board of Education Regulations indicates the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations.

District Board Policy #810, reads:

“A school bus driver shall not be employed until she/he has complied with the mandatory background check requirements for criminal history and child abuse and the contractor and the district have evaluated the results of that screening process.”

On January 13, 2014, we informed District management of the missing documentation and instructed them to obtain the necessary documents, so they could ensure the drivers are properly qualified to have direct contact with children. On January 14, 2014, District personnel took action notifying the contractor of the missing documentation. As of January 30, 2014, the missing documents were not provided to the District by the contractor.

The District’s Board of School Directors (Board) Board Policy Number 810 states that the contractor must evaluate the clearances prior to the bus driver being employed. However, the District did not have policies and procedures in place to ensure that the drivers did not transport students until District personnel had reviewed their clearances.

It is the responsibility of District management to have internal policies and procedures in place to ensure that all employees or contracted employees who have contact with children have the proper qualifications documents. By not having the required bus drivers’ qualifications documents on file, the District was not able to determine whether all drivers were qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

Recommendations

The Sharpsville Area School District should:

1. Ensure all bus drivers’ qualifications documents are on file prior to hiring them to transport students.
2. Ensure the bus drivers’ personnel files are kept up-to-date and the proper clearances are obtained.
3. Establish procedures to ensure that contractor recommended drivers’ credentials are reviewed prior to Board approval to ensure completeness and appropriateness and that the contractor does not allow any bus driver to transport students prior to the review.
4. Review its current bus driver listing and work with its contractor to obtain all required clearances based on

when the District's Board approved the driver, not when the contractor hired the driver.

Management Response

Management stated the following:

“The contractor presented a pool of substitute drivers for approval. Said drivers were current employees of the contractor, but had not driven for the District. The drivers had clearances but not current within one year.

The District has requested that the contractor provide current clearances on the five drivers referenced in finding.”

Auditor Conclusion

We are encouraged that the District agrees with our finding and intends to implement our recommendations. We will follow up on this area during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Sharpsville Area School District (District) released on June 19, 2012, resulted in one (1) finding. The finding pertained to failure to have all school bus drivers' qualifications on file. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior finding. As shown below, we found that the District did not implement all of our recommendations related to failure to have all school bus drivers' qualifications on file.

Auditor General Performance Audit Report Released on June 19, 2012

Finding:	Failure to Have All School Bus Drivers' Qualifications on File
<u>Finding Summary:</u>	Our prior audit of the District found that not all qualification records were on file at the time of the audit for the 2011-12 school year for school bus drivers.
<u>Recommendations:</u>	Our audit finding recommended that the District should: <ol style="list-style-type: none">1. Ensure that the District's administration review each driver's current qualifications prior to that person transporting students.2. Maintain files, at the District, separate from the transportation contractor, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.3. Ensure all transportation contracts include a provision that all drivers qualifications must be provided to the District for Board of School Directors approval prior to the drivers having any contact with the District's students.4. Ensure board approval for all bus drivers used by the contractors prior to the start of each school year and for any additional drivers hired throughout the school year.
<u>Current Status:</u>	During our current audit, we found that the District did not implement prior recommendations numbers one (1) and two (2), as detailed in our current finding (see page 5).

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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

The Honorable Carolyn Dumaesq
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

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.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@auditorgen.state.pa.us.