



CONNEAUT SCHOOL DISTRICT  
CRAWFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JULY 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

Dr. Walter Thomas, Board President  
Conneaut School District  
219 West School Drive  
Linesville, Pennsylvania 16424

Dear Governor Corbett and Dr. Thomas:

We conducted a performance audit of the Conneaut 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 June 1, 2012 through March 31, 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.

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

July 24, 2014

cc: **CONNEAUT SCHOOL DISTRICT** 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 Conneaut School District (District) in Crawford 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 June 1, 2012 through March 31, 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 315 square miles. According to 2010 federal census data, it serves a resident population of 18,594. According to District officials, the District provided basic educational services to 2,307 pupils through the employment of 176 teachers, 50 full-time and part-time support personnel, and fifteen (15) administrators during the 2011-12 school year. The District received \$17,536,687 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. We report no findings or observations in this report.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the Conneaut School District (District) from an audit released on January 14, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to bus driver qualifications (see page 7) and internal controls over pupil membership and Pennsylvania Information Management System reporting (see page 8). Regarding transportation internal controls, the District had taken some appropriate actions and had not taken others (see page 6).

## 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 June 1, 2012 through March 31, 2014, except for the verification of professional employee certification, which was performed for the period September 1, 2013 through January 2, 2014.

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?

- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state 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?
- ✓ 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.

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

*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.

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 and reimbursement applications.
- Items such as board meeting minutes and policies and procedures.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 14, 2013, we reviewed the District's response to PDE dated June 19, 2013. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Conneaut School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Conneaut School District (District) released on January 14, 2013, resulted in two (2) findings and one (1) observation. 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 (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings and observation. As shown below, we found that the District did implement our recommendations related to bus driver qualifications and internal controls over pupil membership and Pennsylvania Information Management System reporting. We also found that the District did implement some of our recommendations related to internal controls over pupil transportation. However, they did not implement others.

### Auditor General Performance Audit Report Released on January 14, 2013

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**Finding No. 1:**                    **Internal Control Weaknesses and Lack of Adequate Documentation Supporting Pupil Transportation Reimbursement and the Use of Tax-Exempt Fuel**

Finding Summary:            Our prior audit of the District found internal control weaknesses and a lack of documentation to support transportation reimbursements of \$2,015,468. Also, the District had few controls over the usage of tax-exempt fuels by the District's transportation contractors.

Recommendations:        Our audit finding recommended that the District should:

1. Prepare and retain complete daily mileage and pupil rosters identifying miles with and without pupils for each bus run, including odometer readings between all bus stops, and retain supporting documentation for all changes.
2. Ensure the accurate reporting of the nonpublic pupils, the nonreimbursable pupils, and approved hazardous route pupils transported.
3. Update District routes with the Pennsylvania Department of Transportation (PennDOT) to ensure that all hazardous routes are properly identified for reimbursement purposes.
4. Review transportation reports submitted to PDE for years subsequent to our audit and ensure the reported information is accurate and that supporting documentation is on file to support mileage for each bus. Submit any revisions to PDE.

5. Establish procedures to monitor the fuel use to ensure all tax-exempt fuel purchased is used for transportation to and from school only.

Current Status:

During our current audit engagement, we could not determine corrective actions taken by the District for the 2011-12 school year because that year had already been completed at the time of our prior audit and, as a result, the District could not have implemented our recommendations. However, we did review procedures in place for the current school year (2013-14) to determine the District's corrective actions relating to our recommendations. Our review of current procedures revealed that the District has implemented the recommendation regarding daily mileage and pupil rosters, and is in the process of implementing recommendations regarding nonpublic pupils, updating District hazardous routes with PennDOT, and reviewing subsequent reports. Lastly, pertaining to the final recommendation, the contractor provided evidence that there are some new processes in place, but the effectiveness of these processes was not demonstrated, and will be reviewed during the next audit cycle.

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**Finding No. 2:**

**School Bus Drivers' Qualifications Deficiencies**

Finding Summary:

Our prior audit found that the District did not have on file proper credentials for seventeen (17) school bus drivers.

Recommendations:

Our audit finding recommended that the District should:

1. Ensure all bus drivers' qualifications documents are on file prior to hiring them to transport students.
2. Ensure that all bus drivers' personnel files are kept up-to-date.
3. Ensure that all future federal criminal record checks are done in accordance with the prescribed method of PDE.

Current Status:

During our current audit, we found that the District implemented all of our recommendations. All the bus drivers' qualifications deficiencies from the previous audit have been corrected, and there were no discrepancies in our review of newly hired bus drivers.

**Observation**

**Membership Reporting Errors and Lack of Internal Controls Resulted in the District Not Receiving Its Entitled Reimbursement**

Observation Summary:

Our prior audit revealed that the District did not have adequate procedures in place to ensure continuity over its Pennsylvania Information Management System (PIMS) data and that one (1) nonresident student was misreported, resulting in an \$8,749 underpayment.

Recommendations:

Our audit observation recommended that the District should:

1. Prepare documented procedures (e.g. procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
2. Cross-train individual(s) to familiarize them with PDE’s child accounting reporting requirements and PIMS reporting procedures in the event of a sudden change in personnel.
3. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students are classified correctly.
4. Review reports for school years subsequent to our audit years for pupil classification accuracy, and revise them if necessary.

We also recommended that PDE should:

5. Adjust the District’s allocations to resolve the underpayment of \$8,749.

Current Status:

During our current audit, we found that the District implemented all of our recommendations. Procedures and manuals are now in place, building secretaries are cross-trained in the event of a sudden change in personnel, and all reports are reviewed before submission and subsequent reports were reviewed.

As of March 31, 2014, PDE had not adjusted the District’s allocations to resolve the \$8,749 underpayment.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://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

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