

PERFORMANCE AUDIT

Morrisville Borough School District Bucks County, Pennsylvania

February 2015



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 W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Damon Miller, Board President
Morrisville Borough School District
550 West Palmer Street
Morrisville, Pennsylvania 19067

Dear Governor Wolf and Mr. Miller:

We conducted a performance audit of the Morrisville Borough 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 August 19, 2011 through September 11, 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

February 27, 2015

cc: **MORRISVILLE BOROUGH SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Morrisville Borough School District (District) in Bucks 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 August 19, 2011 through September 11, 2014, except as otherwise stated 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 two (2) square miles. According to 2010 federal census data, it serves a resident population of 8,728. According to District officials, the District provided basic educational services to 884 pupils through the employment of 81 teachers, 156 full-time and part-time support personnel, and five (5) administrators during the 2011-12 school year. The District received \$5.0 million 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: Lack of Documentation Necessary to Verify Bus Drivers' Qualifications.

Our audit of the Morrisville Borough School District's (District) bus driver records found the District did not have all the required clearances on file for two (2) District drivers and one (1) contracted driver (see page 5).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Morrisville Borough School District (District) from an audit released on January 11, 2012, we found that the District had taken steps to address our recommendations pertaining to pupil transportation reporting errors resulting in a net subsidy overpayment of \$10,504 (see page 8). However, the District had not taken appropriate corrective action with regard to school bus drivers lacking required clearances and the internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 9).

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 August 19, 2011 through September 11, 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:

- ✓ 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, were the District, and any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that their 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 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 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 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 control 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.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, 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 January 11, 2012, we reviewed the District's response to PDE dated March 28, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Lack of Documentation Necessary to Verify Bus Drivers' Qualifications

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 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 criminal 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 will have contact with children, and make a determination regarding the fitness of the individual to have contact with children.

We audited the Morrisville Borough School District's (District) personnel files of the four (4) bus drivers who were District employees and employees of the District's transportation contractors as of June 18, 2014, to determine whether they were properly qualified to transport the students of the District. Our audit found that one (1) contracted and two (2) District bus drivers were transporting students without the required Act 114 federal background documentation on file. The District had copies of receipts for payments for the clearances. However, there were no rap sheets or evidence of review by any District administrator/employee.

On July 23, 2014, we informed District administration of the missing documentation and instructed them to obtain the necessary documents. On August 1, 2014, the District provided the missing clearance for the contracted bus driver, and on August 7, 2014, the District provided the missing clearances for the District's bus drivers.

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 six (6) 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.
6. Federal criminal background check.

*Criteria relevant to the finding
(continued):*

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.

District personnel stated that the human resource office is responsible for all District and contracted employee files and are to review them prior to the start of employment with the District to ensure all drivers have the proper clearances. Our audit found that the District did not implement controls to ensure that all required clearances were obtained and filed at the District.

District administration is responsible for establishing an effective internal control system that ensures its bus drivers' qualification records are properly maintained, easily located, and complete.

By not having all required bus drivers' qualifications on file at the District, the District is not able to review the documents to determine whether all drivers are qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

Recommendations

The *Morrisville Borough School District* should:

1. Establish policies and procedures to ensure that a District administrator/employee reviews each driver's qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete prior to the start of the school year.

Management Response

Management stated the following:

“Management agrees with the finding.

The School District of the Borough of Morrisville purchased three vans in 2011-12. The district hired van drivers during the years. The bus drivers’ qualifications and clearances were verified at the time of employment; however, we had to reproduce the paperwork at the time of the auditor general review. The district must also retain all contractor bus drivers’ qualification and clearances. A system has been put in place in the transportation department to provide and retain all the necessary bus drivers’ qualifications and clearances. Additional copies will be retained in the Human Resource files.”

Status of Prior Audit Findings and Observations

Our prior audit of the Morrisville Borough School District (District) released on January 11, 2012, resulted in two (2) findings and one (1) observation. The first finding pertained to pupil transportation reporting errors resulting in a net subsidy overpayment of \$10,504, and the second finding pertained to school bus drivers lacking required clearances. The observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. 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. We found that the District took steps to address our recommendations related to pupil transportation reporting errors resulting in a net subsidy overpayment of \$10,504. However, we found that the District did not implement our recommendations related to school bus drivers lacking required clearances and internal control weaknesses in administrative policies regarding bus drivers' qualifications.

Auditor General Performance Audit Report Released on January 11, 2012

Finding No. 1: **Pupil Transportation Reporting Errors Resulting in a Net Subsidy Overpayment of \$10,504**

Finding Summary: Our prior audit of the District's transportation records contained errors in the data reported to the Pennsylvania Department of Education (PDE) for the number of public and nonpublic pupils transported and the amount paid to the contractor. Public school pupils were overstated by 31 pupils in the 2009-10 school year. Nonpublic school pupils were overstated by 34 pupils in the 2009-10 school year and understated by four (4) pupils in the 2008-09 school year. The errors resulted in a net transportation subsidy overpayment of \$10,504.

Recommendations: Our audit finding recommended that the District should:

1. Accurately report the number of public and nonpublic pupils transported.
2. Report contractor cost data in accordance with PDE instructions.
3. Review reports submitted to PDE for the years subsequent to the period and submit revised reports if errors are found.

We also recommended that PDE should:

4. Adjust the District's allocations to resolve the \$10,504 net transportation subsidy overpayment.

Current Status: During our current audit, we found that the District took steps to address the prior audit finding and no significant errors were identified. In addition, PDE had taken steps to adjust the net transportation subsidy overpayment of \$10,504.

Finding No. 2: School Bus Drivers Lacked Required Clearances

Finding Summary: Our prior audit of the District's transportation contractor's bus drivers' files as of June 29, 2011, found that all three (3) drivers did not obtain the Pennsylvania State Police criminal history record, two (2) drivers did not obtain the Pennsylvania child abuse history clearance statement, and one (1) driver obtained a child abuse clearance statement approximately seventeen (17) months after date of hire.

Recommendations: Our audit finding recommended that the District should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.

Current Status: During our current audit, we found that the District did not implement our prior recommendations, as noted in the current finding of our audit report (see page 5).

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualification

Observation Summary: Our prior audit found that the District did not have a written policy or procedure in place to have the driver notify them of any arrest and or conviction of a crime after the date of hire. That would call into question the employees' suitability to have direct contact with children. The purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses.

Recommendations:

Our audit observation recommended that the District should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District and/or the District's transportation contractor 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 District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to direct contact with children.

Current Status:

During our current audit, we found that the District had not implemented our prior recommendations as evidenced in the current finding (see page 5). However, the District stated that they now subsequently follow Act 24 of 2011 and that it fulfills the requirements of a written policy and procedure.

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 W. Wolf
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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.