

PERFORMANCE AUDIT

Interboro School District Delaware County, Pennsylvania

July 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mrs. Bernadette Reiley, Superintendent
Interboro School District
600 Washington Avenue
Prospect Park, Pennsylvania 19076

Mrs. Kathleen Hauger, Board President
Interboro School District
600 Washington Avenue
Prospect Park, Pennsylvania 19076

Dear Mrs. Reiley and Mrs. Hauger:

We conducted a performance audit of the Interboro 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 July 16, 2010 through January 23, 2015, except as otherwise stated 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 District complied, in all material respects, with relevant requirements, except as detailed in the one finding noted in this report. In addition, we identified matters unrelated to compliance that are reported as two observations. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding, observations, 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

July 2, 2015

cc: **INTERBORO 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 District. 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 July 16, 2010 through January 23, 2015, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 11 square miles. According to 2010 federal census data, it serves a resident population of 23,588. According to District officials, the District provided basic educational services to 3,552 pupils through the employment of 292 teachers, 301 full-time and part-time support personnel, and 20 administrators during the 2011-12 school year. The District received \$15.5 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all material respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance related matter reported as a finding. In addition, we identified two matters unrelated to compliance that are reported as observations.

Finding: The District Lacks Sufficient Internal Controls Over Its Student Record Data. Our review of the District's controls over student record data integrity for the 2008-09, 2009-10, 2010-11, and 2011-12 school years found that internal controls need to be improved (see page 8).

Observation No. 1: Personnel Records for Administrators Were Not Adequately Maintained or Provided in a Timely Manner. Our review of the District's employee personnel records found that the District did not keep adequate employee information and that the records were not kept in a central location. As a result, the District did not provide the requested personnel records to the auditors in a timely manner (see page 12).

Observation No. 2: The District Lacked Sufficient Internal Controls Over Payments Made to an Independent Contractor Which Resulted in Overpayments of \$10,566. Our audit found that the District did not enact adequate payment provisions for an independent contractor who was hired to temporarily fulfill the duties of the recently resigned Director of Pupil Services. As a result, the District overpaid the contractor \$10,566 for his services (see page 15).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District from an audit released on April 13, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to lack of Memoranda of Understanding and Memoranda not updated timely and bus drivers' qualifications (see page 19).

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 July 16, 2010 through January 23, 2015.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 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:

ü In areas where the District received state subsidies and reimbursements based on non-resident student membership, did it follow applicable laws [24 P.S. § 13-1301, 13-1302, 13-1305, and 13-1306] and procedures [22 PA Code Chapter 11]?

- To address this objective, the auditors reviewed placement information on all 22 of the District's non-resident students for the 2009-10 school year.

Ü In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable laws [24 P.S. § 25-2541] and procedures?

To address this objective:

- The auditors reviewed various data, including board approval of routes, manufacturer, serial number, year of manufacture, and seating capacity as required under 24 P.S. § 25-2541 for all 27 buses reported by the District to transport students during the 2011-12 school year.
- In addition, the auditors attempted to reconcile the 2011-12 school year transportation data that the District submitted to PDE for the District's final formula allowance and/or contracted costs to ensure accuracy to information maintained by the District. However, the District did not retain the necessary supporting documentation as disclosed in the finding on page 8.

Ü Did the District ensure that bus drivers transporting District children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 PA Code Chapter 8, and 23 PA C.S. § 58-6354, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected all five new drivers who were hired since the last time the Bureau of School Audits audited the District and reviewed bus driver compliance and determined whether the drivers had the necessary license, physicals, training, background checks, and clearances. The auditors ensured that all of the new drivers

included both district-employed and contractor-employed drivers, as appropriate.

- The auditors also reviewed documentation to determine if administrative policies and procedures were developed to address the current review process of bus driver qualifications. We also reviewed board policy to determine if a policy was adopted by the Board to address the process of hiring bus drivers.

Ü Did the District pursue a contract buy-out with an administrator and, if it did, 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?

- To address this objective, the auditors reviewed the ten individual contracts, settlement agreements, board meeting minutes, board policies, and payroll records for any administrator who retired, left the District, or whose District contract may have been bought-out since the last audit (July 16, 2010).

Ü Did the District ensure that the membership data it reported to PDE through the Pennsylvania Information Management System (PIMS) was complete, accurate, valid, and reliable for the most current year available?

- To address this objective, the auditors randomly selected 20 out of 3,552 total registered students (5 resident, 5 non-resident, 5 intermediate units, and 5 area vocational-technical schools) from the vendor software listing and verified that each child was appropriately registered with the District.

Ü Did the District take appropriate steps to ensure school safety?

- To address this objective, the auditors reviewed a variety of documentation

including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District followed best practices in school safety and 24 P.S. Sect. 13-1302, 1302.1A, 13-1303.1, and 13-1303 A. Generally, the auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

Ü Did the District take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed District administrators to determine whether they had taken corrective action.
- The auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or observed these changes in person.
- The auditors reviewed all four Memorandums of Understanding (MOU) with law enforcement authorities to confirm they were current and re-executed timely. In addition, we reviewed board policy to determine if a MOU policy was adopted by the Board of School Directors (Board).

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, financial stability, reimbursement applications, 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 April 13, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

The District Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with PDE's guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

PDE bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in PIMS. PIMS is a statewide longitudinal data system or "data warehouse" designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve public education systems.

PDE began calculating the LEA's state subsidy using data that the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEA's must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Moreover, with a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our review of the District's controls over student record data integrity for the 2009-10, 2010-11, and 2011-12 school years found that internal controls need to be improved.

District personnel in charge of child accounting and PIMS reporting did not reconcile the PIMS final reports to the District's Student Information System (SIS) membership reports to ensure data accuracy. In addition, District personnel did not verify the accuracy of the students' membership data reported by the Delaware County Intermediate Unit 25 (Intermediate Unit) and the Delaware County Technical High School (Center).

There were no policies or procedures in place to ensure that documentation supporting the data submitted to PDE was retained for audit. In addition, the District did not have adequate policies or procedures in place to ensure continuity over its PIMS data submissions in the event of a sudden change in personnel or child accounting vendors. District personnel in charge of child accounting and PIMS reporting did not print out the required validation reports

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

from SIS after the data was uploaded to PIMS at the end of the 2009-10 school year. Consequently, the District could not reconcile its SIS vendor membership reports with its PIMS reports.

Our testing of the elementary school calendars found that membership data for grades one through six students were reported based on 181 days in session on the PIMS calendar templates and the aggregate days' membership on Summary of Child Accounting Membership report for the 2009-10 school year. The SIS reports only accounted for 177 days in session. The District generated attendance reports and individual student reports, but the reports contained numerous discrepancies in the number of days in session when compared to the PIMS reports.

District personnel indicated they believe the discrepancies occurred because the data became corrupted during the migration of child accounting data from the vendor used in the 2009-10 school year to another vendor that the District began using in the 2010-11 school year.

We also reviewed the student record data sent to the District by the Intermediate Unit and the Center and attempted to verify these 2009-10 school year reports to the PIMS Summary of Child Accounting report for accuracy, but again noted discrepancies. The District was unable to explain or reconcile these discrepancies noted in the student record data submitted to PIMS.

The District did not maintain adequate manual compensating controls (i.e. maintenance of supporting documentation) to support the reported child accounting data. As a result of the lack of proper documentation, we were unable to recalculate the state subsidy and reimbursements based on student membership due the District for the 2009-10, 2010-11, and 2011-12 school years. In addition, it is the District's responsibility to verify the accuracy of the information sent from the Intermediate Unit and the Center to them. The District failed to verify the accuracy of student record data that the Intermediate Unit and the Center reported.

Recommendations

The *Interboro School District* should:

1. Develop documented procedures (e.g. procedure manuals, policies or other written instructions) to ensure continuity over PIMS data submission if District personnel were to leave the District suddenly or otherwise be unable to upload PIMS data to PDE.
2. Ensure the software vendor makes any required corrections to SIS, or determine if a new SIS should be obtained to fulfill the child accounting requirements of PIMS and the District.
3. Retain end-of-year reports generated by the District's child accounting software, and reconcile the data to PIMS reports.
4. Consider cross-training several of its personnel in the District's child accounting system.
5. Print out SIS membership reports and PIMS reports after the PIMS upload is completed and perform reconciliations between the District's child accounting software data and the PIMS reports. The District should retain all documentation for audit purposes.
6. Review student calendar data reported through PIMS for accuracy to ensure that they reflect the correct days in session and days of enrollment.
7. Immediately reconcile subsequent years' PIMS reports to SIS for District-maintained student record data and for student record data submitted to the District by the Intermediate Unit and the Center. If errors are found, revisions should be submitted to PDE.

Management Response

Management stated the following:

“Cause of Problem:

1. Due to the high rate of turnover in Central Office Administration, there has been a lack of oversight on Student Record Data.
2. The vendor software that the district is currently using is not fully aligned to PIMS and is not meeting the District’s need for accurate student record data.

Corrective Action Plan:

1. The District is in the process of developing a PIMS Administrative level position.
2. The Business Office is identifying a back – up person to ensure continuity over the PIMS collating and submission.
3. The District has purchased a new SIS that is more accurately aligned to the child accounting requirements of PIMS and student data records.
4. The District has established weekly PIMS meetings to address any and all PIMS/ Child Accounting issues and concerns.
5. Policies and procedures will be established related to the training of personnel and reconciliations between the District’s child accounting software, data, and PIMS reports. The procedures will also address the retention of all documentation for audit purposes.
6. The District will reconcile 2012-2013 PIMS reports to the SIS and review the calendar fact templates for accuracy to ensure that they reflect the correct days in session, and days of enrollment.”

Auditor Conclusion

The District has taken corrective action to address our recommendations. We will confirm the effectiveness of those procedures during the next audit.

Observation No. 1 →

Personnel Records for Administrators Were Not Adequately Maintained or Provided in a Timely Manner

Criteria relevant to the observation:

Good business practices require that sufficient records are maintained in a complete and appropriate manner to document relevant employment information, and to substantiate any actions taken by an employer.

Commonwealth of Pennsylvania Governor's Office Manual, Personnel Records retention and Disposition Schedule, M505.4 Amended, December 7, 1998, states in part:

The General Personnel Records Retention and Disposition Schedule provides Commonwealth of Pennsylvania agencies with guidelines for the maintenance of common personnel records. While the retention and disposition schedules is not all inclusive, many of these records are normally used and maintained in agency Personnel Offices.

Our review of the District's employee personnel records found that the District did not keep adequate employee information and that the records were not kept in a central location. As a result, the District did not provide the requested personnel records to the auditors in a timely manner.

During our audit, we requested the personnel records of ten current and former employees who held administrative employment¹ contracts with the District to determine the compensation paid to the former employees when they separated from the District. However, the files initially provided by the District to the auditors did not contain key information, such as:

- Job descriptions.
- Salary/Rate of pay.
- Documentation to support leave balances and any separation pay-outs provided to employees for unused vacation, sick, or personal leave days.

The auditors learned that the District did not keep one complete personnel file for each individual employee. Instead, some personnel documentation was located in the District's Human Resources Office and other information was located in the District's Business Office. Therefore, there was no single complete personnel file for each employee. Consequently, it took over two weeks for the District to compile and provide the requested files that they maintained. Additionally, some of the information requested was never located or provided.

This lack of organization was caused by the District having two separate locations for key information regarding personnel and by not having internal controls in place to ensure that the information was on file, centrally located, and readily available for audit. Furthermore, the District did not have a permanent business manager in place between June 30, 2012 and September 19, 2013, which

¹ Administrative employment includes superintendent, business manager, and Act 93 employees.

Criteria relevant to the observation (continued):

The schedule was prepared...with the purpose of: providing agencies with uniform guidelines for the retention and disposition of common personnel records; ensuring that agencies retain personnel records as long as needed for administrative, legal, collective bargaining, and fiscal issues; promoting cost-effectiveness of the records management program; and providing agencies with authorization to dispose of obsolete records on a regular scheduled bases after minimum retention periods have been met.

...Correspondence affecting an employee's career such as appointment promotion/demotion, salary change, transfer or recognition should also be maintained in the Official Personnel Folder.

impacted the record-keeping oversight in the business office. Also, the Human Resources Department had turnover in the Director position as well as its confidential secretary in 2011.

District administration is responsible for establishing an effective internal control system that ensures its personnel records are properly maintained, complete, and easily obtainable. Without such a system, the District is at risk of losing documentation that is necessary to support important employment job requirements, employee salaries/pay rates, and payment of benefits.

Recommendations

The *Interboro School District* should:

1. Establish internal controls to ensure the proper maintenance and retention of personnel records.
2. Consider utilizing a checklist to identify and establish contents necessary for complete personnel files. This should include, but may not be limited to, the following: employment contracts, Act 93 agreements, employee salary information, employee leave, and contracted or other paid employee benefits.

Management Response

Management stated the following:

“Contributing Factors:

1. There was significant administrative turnover in the Human Resources Department. One Director retired in December, 2009. The next Director was hired in March, 2010. That Director resigned in May, 2012. The Director of Human Resources position was not permanently filled again until June, 2013.
2. There was reduction in office staff. The Human Resources Department lost its Confidential Administrative Assistant (50% of its support staff) in 2011.

District Action Plan:

1. A long time District employee with 18 years of service was named Director of Human Resources in June, 2013.
2. The School Board has approved and budgeted for the return of the Confidential Administrative Assistant beginning July 1, 2014.
3. Exit interview procedures have been established.
4. Automated systems (Recruit and Hire and Teachscape) have been implemented to improve security, procedures, and document archives.
5. The Director of Human Resources has attended all meetings and trainings with the Human Resources Director's Council through the Delaware County Intermediate Unit.
6. The Human Resources Director will consult with the District's Attorney to discuss personnel file procedures."

Auditor Conclusion

The District has taken corrective action to address our recommendations. We will confirm the effectiveness of these procedures during the next audit.

Observation No. 2

The District Lacked Sufficient Internal Controls Over Payments Made to an Independent Contractor Which Resulted in Overpayments of \$10,566

Criteria relevant to the observation:

Good business practices require contract agreements to provide adequate provisions, which specify terms and conditions of a contract, including compensation.

Additionally, internal controls should be established to prevent or detect errors, and to ensure that provisions of a contract are complied with.

“In this sense, internal control is management control that is built into the entity as a part of its infrastructure to help managers run the entity and achieve their aims on an ongoing basis.” With this approach in mind, the District’s current management must identify the District’s key activities and then ensure that there are written policies and procedures to govern them. In addition, the District’s current management must develop a process for monitoring whether staff regularly follows these established protocols.

U.S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg. 1.

Our audit found that the District did not enact adequate payment provisions for an independent contractor (Consultant) who was hired to temporarily fulfill the duties of the recently resigned Director of Pupil Services. In addition, the District did not establish sufficient internal controls to monitor the accuracy of the payments made to the Consultant. As a result, the District overpaid the Consultant \$10,566 for his services.

The District contracted with the Consultant on June 21, 2012, after the District accepted the resignation of its former Director of Pupil Services effective June 15, 2012. The terms of this contract included, in part:

WHEREAS, it is the intention of the District to call upon Contractor to provide the services set forth in Article I herein during the time needed to replace the Director of Pupil Services; and

NOW THEREFORE, the parties intending to be legally bound, and in consideration of the mutual covenants and agreement herein contained, do hereby agree as follows:

1. *Description of Work. Contractor agrees to furnish all labor and services set forth below:*
 - a. *To consult, monitor, and make recommendations to Interboro School Board regarding candidates for the Director of Pupil Services Position in the District;*
 - b. *If required by the District, to be used as a resource after the new Director of Pupil Services is hired and starts work for the District;*
 - c. *To provide independent recommendations as to departmental operations, and any identified weakness or suggestions for improvement within the department that could be reviewed by the District and the ultimately selected Director of Pupil Services;*

- d. To maintain the day to day operation of the Office of Pupil Services;*
- e. To take corrective action, if and as required, with regard to compliance issues affecting the Office of Pupil Services; and*
- f. Any other tasks identified by the Interboro School Board.*

2. Compensation.

- a. District shall pay to Contractor, for the contemplated performance hereunder, payments on the basis of Five Hundred Dollars (\$500.00) for each full day of work performed by Contractor, as documented on a District time and attendance sheet.*

3. Term

This Agreement shall be in full force and effect from June 21, 2012, until terminated by either party upon at least seven (7) days' written notice to the other party of their intention to terminate.

Although the contract indicated that the District would pay the Consultant a rate of \$500 per day, it did not specify the number of hours that constituted a full day's work. Furthermore, the District's administrators did not institute internal controls to ensure that they used appropriate billing rates for the work hours submitted by the Consultant.

The Consultant's contract was effective June 21, 2012, and the District's previous business manager terminated employment on June 30, 2012. However, from June 30, 2012 to September 19, 2013, the District had not hired/selected a permanent business manager, which contributed to insufficient oversight of payments made to the Consultant.

Consequently, we found that from July 9, 2012 through December 9, 2013, the District made multiple errors in its billings rates and payments to the Consultant. For example, the District incorrectly calculated the Consultant's per hour rate based on a seven hour work day in numerous instances, rather than an eight hour workday. One of the duties specified in the Consultant's contract was "to maintain the day-to-day operations of the Office of

Pupil Services.” Although the Consultant’s contract failed to specify what constituted a full day’s work, an eight hour work day was established for the position of Director of Pupil Services in the *Interboro School District Administrative Compensation Plan* (Act 93 Agreement).

Additionally, the auditors received confirmation from the District’s business manager that the position of the Director of Pupil Services would work an eight hour day, and therefore, the Consultant’s per-day pay of \$500 would be based on an eight hour day. This resulted in the Consultant receiving more per hour than he was entitled to receive, for a total of \$10,566 in overpayments. Furthermore, the District provided the auditor with their own payment calculations confirming the accuracy of the \$10,566 overpayments as calculated by the auditor.

It is the responsibility of District management to implement appropriate internal controls to ensure that contracted employees are compensated correctly. The vacancy of a position such as the business manager position highlights the importance of the having effective internal controls to ensure that the District is accurately calculating compensation payments.

Recommendations

The *Interboro School District* should:

1. Ensure all contracts include adequate provisions for determining hourly rates/payment terms.
2. Implement monitoring procedures to ensure payments are made in accordance with all appropriate District agreements.
3. Ensure that the District’s solicitor has an important role in the process of reviewing contracts to ensure adequate provisions exist.
4. Contact the District’s solicitor for guidance on recovering the \$10,566 overpayments from the Consultant.

Management Response

Management stated the following:

“District Action Plan:

1. The Interboro School District Independent Contractor Agreement has been updated with standard language to state the number of hours in a work day, and that contractors may bill in the quarter, half, three-quarter, or hourly rate (as provided with this reply).
2. A new, revised timesheet is in the process of being developed, and will be utilized with all independent contractors, specifically the necessary information needed to complete the timesheet appropriately (as provided with this reply).
3. [The Consultant] was notified by the Superintendent there was a finding through the state audit pertaining to his independent contractor agreement and the overpayment of district funds.
4. All information pertaining to this matter has been turned over to the school district solicitor for review.”

Auditor Conclusion

The District has taken corrective action to address our recommendations. We will confirm the effectiveness of those actions during the next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on April 13, 2011, resulted in one finding and one observation. The finding noted that the District lacked a Memoranda of Understanding (MOU) for one of its four local law enforcement agencies and that MOUs with other local law enforcement agencies were not being updated timely. 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 performed audit procedures and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement our recommendations related to the MOU and corrected the internal control weaknesses in administrative policies regarding bus drivers' qualifications.

Auditor General Performance Audit Report Released on April 13, 2011

Finding: **Lack of Memoranda of Understanding and Memoranda Not Updated Timely**

Finding Summary: As disclosed in a previous audit, the District did not have a signed MOU with one of its four local law enforcement agencies and the MOUs with the other three local law enforcement agencies were not updated in a timely manner. The MOU's were signed in November 1998 and January 1999 and were not updated.

Recommendations: Our audit finding recommended that the District should:

1. In consultation with the solicitor, develop and implement a MOU between the District and the local law enforcement agency for which there is no MOU.
2. Review, update and re-execute the current MOUs between the District and the three local law enforcement agencies.
3. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status: During our current audit, we confirmed all MOUs were updated in September 2013. The District provided Board Policy No. 805.1, adopted on December 18, 2013, which addresses the review and re-execution of MOUs every two years.

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

Observation Summary: Our prior audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications. We made our recommendation in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the Public School Code and the Child Protective Services Law is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe there are other serious crimes that school districts should consider, on a case-by-case basis, in determining prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five year-back period, as well as other crimes of a serious nature that are not on the list at all, school districts should also consider implementing written policies and procedures to ensure that the district is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

The District had not yet adopted written policies or procedures, as we recommended in the prior audit, to ensure that District personnel were notified if a current employees had been charged with or convicted of a 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 was 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 District 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 District is notified when current employees of the District'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:

Our current audit confirmed Board Policy No. 351 was adopted on November 20, 2013, and then revised on February 19, 2014, which fulfilled the requirements of our recommendations pertaining to the need to develop a policy and procedures to address bus drivers' qualifications.

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