

# PERFORMANCE AUDIT

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## Franklin Area School District Venango County, Pennsylvania

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July 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Pamela R. Dye, Superintendent  
Franklin Area School District  
702 Liberty Street  
Franklin, Pennsylvania 16323

Mr. Brian Spaid, Board President  
Franklin Area School District  
702 Liberty Street  
Franklin, Pennsylvania 16323

Dear Dr. Dye and Mr. Spaid:

We conducted a performance audit of the Franklin 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 May 15, 2012 through March 9, 2015, 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 material respects, with relevant requirements. A summary of the results is presented in the Executive Summary section of the audit report.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

July 30, 2015

cc: **FRANKLIN AREA 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 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 May 15, 2012 through March 9, 2015, 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 195 square miles. According to 2010 federal census data, it serves a resident population of 16,051. According to District officials, the District provided basic educational services to 1,973 pupils through the employment of 163 teachers, 114 full-time and part-time support personnel, and 13 administrators during the 2011-12 school year. The District received \$16.96 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. Our audit resulted in no findings or observations.

### **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 24, 2013, we found that the District has started to take appropriate corrective action in implementing our recommendations pertaining to maintaining appropriate documentation and internal controls for non-resident student membership (see page 8) and student transportation reimbursements (see page 9).

Additionally, the District took corrective action regarding school bus driver qualifications. All driver qualification records were up-to-date and properly maintained in the District's files (see page 10).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education (PDE), 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 May 15, 2012 through March 9, 2015. In addition, the scope of each individual audit objective is detailed below.

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 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

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 Were professional employees certified for the positions they held?
  - o To address this objective, the auditors reviewed and evaluated certification documentation for all 42 teachers and administrators that did not have permanent certificates, were newly hired, or changed assignment at the time of our audit.

- Ü In areas where the District received state subsidies and reimbursements based on non-resident pupil membership, did it follow applicable laws (24 P.S. § 13-1305 and 13-1306) and procedures (22 *PA Code Chapter 11*)?
  - To address this objective, the auditors reviewed placement information on all 78 of the District’s non-resident students.
  - Additionally, we performed procedures to test and document the District’s compliance with the finding recommendations made in our prior audit report. Our testing included reviews of contracts, procedures, and membership related records.
  
- 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 performed procedures to test and document the District’s compliance with the finding recommendations made in our prior audit report. Our testing included reviews of contracts, procedures, board minutes, and certain transportation records used in submitting reimbursement reports to PDE.
  
- 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 initially selected five out of the 13 bus drivers hired during the period May 12, 2012 through September 3, 2014, and determined whether the drivers had the

necessary license, physicals, training, background checks, and clearances.

- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

ü Were votes made by the District’s Board of School Directors free from apparent conflicts of interest?

- To address this objective, the auditors reviewed all 13 of the sitting and recent board members’ employment history, Statements of Financial Interest, board meeting minutes, and any known outside relationships 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.
- In addition, the auditors conducted on-site reviews at two out of the District’s five school buildings (one from each education level) to assess whether they had implemented basic physical safety practices based on national best practices.

ü Did the District have documented board policies and administrative procedures related to compliance with the Right-to-Know Law, were they adequate and

appropriate, and have they been appropriately implemented.

- To address this objective, we obtained and reviewed the District's Right-to-Know policies and procedures. We selected four Right-to-Know requests for information, from the period December 11, 2014 through February 9, 2015, for a detailed review of the District's compliance with the Right-to-Know law requirements and District policies.

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.

## Methodology

### *What are internal controls?*

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

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

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

The 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, professional employee certification, state ethics compliance, 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 24, 2013, we reviewed the District's response to PDE dated June 20, 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 District resulted in no findings or observations.

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

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Our prior audit of the District released on April 24, 2013, resulted in three findings. 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 PDE, performed audit procedures, and interviewed District personnel regarding the prior findings. We found that the District has started to implement our recommendations related to non-resident membership, pupil transportation, and did take appropriate corrective action and did implement our recommendations related to bus driver qualifications.

### **Auditor General Performance Audit Report Released on April 24, 2013**

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**Finding No. 1: Internal Control Breakdowns and Lack of Supporting Documentation for Non-Resident Student Reimbursement Resulted in Overpayments of \$396,111**

Finding Summary: Our prior audit of the District found internal control weaknesses and procedural breakdowns that resulted in inaccurate reporting of non-resident pupil membership days to PDE. The reporting errors resulted in overpayments of \$244,426 and \$151,685, respectively, for the 2008-09 and 2009-10 school years, totaling \$396,111.

Recommendations: Our audit finding recommended that the District should:

1. Review and re-implement all contractually required internal control procedures to ensure the accuracy of reported information.
2. Strengthen internal controls and communications with the facility to ensure accurate reporting of student membership.
3. Review subsequent years to ensure that membership data is uploaded to the Pennsylvania Information Management System accurately (PIMS) and is in agreement with District information, not just in total days but in all reported information; any variances should be researched and corrected.

We also recommended that PDE should:

4. Review the 2009-10 the PIMS report and the 2008-09 Child Accounting Database report and initiate any and all corrections to ensure the accuracy of the information and its impact on reimbursements.

5. Adjust the District's allocations to resolve the overpayments totaling \$396,111.

Current Status:

During our current audit, we found that the District had initiated implementation of our recommendations by hiring a new child accounting coordinator in July 2012. The new coordinator is responsible for compiling, verifying, and submitting not only the District's PIMS reports, but also the contractual non-resident membership data. Additionally, the child accounting coordinator was required to verify and confirm the 2010-11 contractual non-resident PIMS data. However, our audit could not verify the PIMS reported non-resident membership data due to missing or destroyed records and supporting documentation. Due to a noted communication breakdown between the child accounting coordinator and administration regarding the verification of non-resident contractual membership data, we were unable to determine whether the District properly reported non-resident pupil membership days to PDE and/or received the correct subsidy for our 2010-11 and 2011-12 audit years. Lastly, as of March 9, 2015, written child accounting procedures had not been developed and implemented.

On August 28, 2014, PDE withheld \$448,114 from the District's subsidy; \$52,003 more than our prior audit finding of \$396,111.

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**Finding No. 2:**

**Internal Control Weaknesses and Lack of Supporting Documentation for Pupil Transportation Reimbursements Totaling \$2,568,048**

Finding Summary:

Our prior audit found internal control weaknesses and lack of supporting documentation for reimbursements of \$1,307,877 and \$1,260,171 for the 2008-09 and 2009-10 school years, respectively.

Recommendations:

Our audit finding recommended that the District should:

1. Prepare and retain documentation to support the weighting of daily bus mileages throughout the year. Include afternoon bus run mileage in determining the amount of miles to be reported.
2. Prepare and retain accurate bus rosters, along with documentation to support the greatest number of pupils assigned to each bus as reported to PDE.
3. Prepare and retain documentation that will reflect changes in bus rosters when students enter late, withdraw, or relocate.

4. Prepare and maintain documentation to support the number of days of service for each bus as reported to PDE.
5. Prepare and maintain documentation to support the number of hazardous route pupils reported to PDE.
6. Prepare and retain documentation regarding the distance from bus stops to schools. This information is necessary to accurately determine the status of non-reimbursable students.
7. Review transportation reports submitted to PDE for subsequent years of audit, and ensure, if possible, the reported information is accurate and the supporting documentation is on file for all data reported to PDE. Resubmit transportation reports if necessary.
8. Permit and encourage the District's transportation director and administrative support staff to attend conferences and training sessions relating to pupil transportation reporting and recordkeeping requirements.

Current Status:

During our current audit, we found that the District hired a new director of transportation who is responsible for compiling, verifying, and submitting the District's pupil transportation reports. Our current audit determined that the issues from the prior audit had not been corrected through the 2011-12 school year, but, subsequently, implementation of our recommendations has begun.

Our current review and discussions with District personnel noted that, subsequent to the 2012-13 school year, improvements are still needed related to the compiling and maintenance of pupil transportation records and the preparation of written pupil transportation procedures.

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**Finding No. 3:**

**Failure to Have All School Bus Drivers' Qualifications on File**

Finding Summary:

Our prior audit found that not all records were on file at the time of audit. Additionally, the documentation was not provided to the District by the contractors as specified in the transportation contracts.

Recommendations:

Our audit finding recommended that the District should:

1. Ensure that the District's director of transportation reviews each driver's current qualifications prior to that person transporting students.

2. Maintain files at the District, separate from the transportation contractor's files, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.
3. Require the transportation contractors to adhere to Board Policy #810 and to provisions of their contracts by providing the District documents identified in the contracts prior to the commencement of the school year and prior to the drivers having any contact with the District's students.
4. Develop written procedures that would eliminate communication breakdowns and require crosschecking and referencing of all bus drivers' documentation between the District's administrative and pupil transportation offices.

Current Status:

During our current audit, we found that the District's new director of transportation had reviewed the bus driver files and obtained missing or up-to-date documentation for all approved bus drivers. However, the District had not developed internal control procedures to ensure compliance with applicable laws and regulations which are necessary to ensure propriety of operations.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

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Harrisburg, PA 17126

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This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). 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@PaAuditor.gov](mailto:news@PaAuditor.gov).