

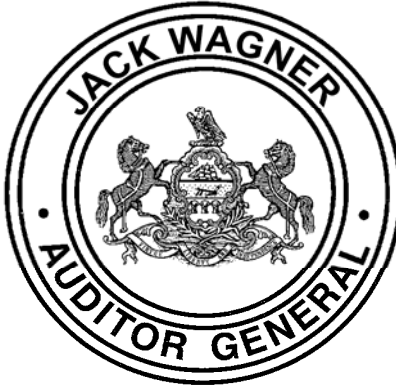
ANTIETAM SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH OBSERVATIONS AND RECOMMENDATIONS

THROUGH APRIL 2, 2007





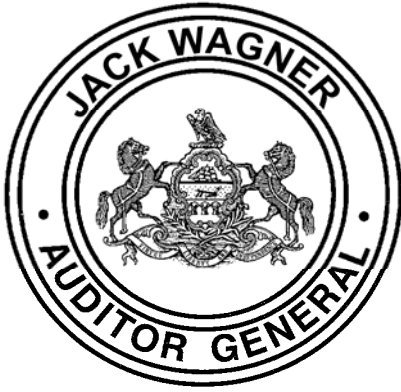
ANTIETAM SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006  
WITH OBSERVATIONS AND RECOMMENDATIONS  
THROUGH APRIL 2, 2007



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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Antietam School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The objective of our audit was to determine if the Antietam School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

To plan and perform our audit of the Antietam School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

The results of our tests indicated that, in all significant respects, the Antietam School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. However, we did identify certain other weaknesses, as noted in the following observations and further discussed in the Conclusion section of this report:

Observation No. 1 – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation No. 2 – Internal Control Weakness Regarding School Violence Memorandum of Understanding

Independent Auditor's Report (Continued)

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

April 2, 2007 except for  
Observation No. 2, for which  
the date is May 1, 2007

/s/  
JACK WAGNER  
Auditor General



ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

The Antietam School District is located in Berks County and encompasses an area of 3.2 square miles. The school district has a population of 7,494, according to the 2000 federal census. The administrative offices are located at 100 Antietam Road, Reading, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 1,109 pupils through the employment of 9 administrators, 97 teachers, and 61 full-time and part-time support personnel. Special education was provided by the district and the Berks County Intermediate Unit #14. Occupational training and adult education in various vocational and technical fields were provided by the district and the Berks Career and Technology Center.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 9 through 11 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31<sup>st</sup> of the following fiscal year.

ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
OBJECTIVE, SCOPE AND METHODOLOGY

**OBJECTIVE AND SCOPE**

Our audit objective was to determine if the Antietam School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003 and in certain areas extending beyond June 30, 2006.

**METHODOLOGY**

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economic and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**CONCLUSION**

The objective of our audit was to determine if the Antietam School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Antietam School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. However, our audit did reveal internal control weaknesses, as detailed in the following observations. The observations and recommendations were reviewed with representatives of the Antietam School District and their comments have been included in this report.

**Observation No. 1 – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications**

Section 111 of the Public School Code requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.<sup>1</sup>

Similarly, Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.<sup>2</sup>

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a 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 look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

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<sup>1</sup> 24 P.S. § 1-111.

<sup>2</sup> 23 Pa.C.S. § 6355.

ANTIETAM SCHOOL DISTRICT  
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**Observation No. 1 (Continued)**

Our review of the personnel records of the six van drivers and one bus driver who are currently employed by the Antietam School District and the district's transportation contractor found that these individuals possessed the minimum requirements to be employed as drivers and that the Antietam School District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files. There was no information contained in these reports that would have prohibited the Antietam School District from hiring any of the drivers. Therefore, we concluded that the Antietam School District has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicant's suitability to have direct contact with children.

However, our review found that the district did not have written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of 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 is 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

The school board and district administrators should consider, in consultation with the district's solicitor:

- developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district 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; and
- implementing written policies and procedures to ensure the district is notified when current employees of the district or the district's transportation contractor 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.

ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**Observation No. 1 (Continued)**

Response of Management

Management provided the following response, disagreeing with the observation:

Management disagrees with this observation because there is no statutory requirement to review the criminal record of employees after their date of hire. The Antietam School District always takes the necessary steps to ensure the safety of students and will pursue additional background checks on employees when warranted. Furthermore, our van drivers are not the only employees who have daily contact with students, but an internal control weakness was not noted for the qualifications of other employee groups.

Auditor's Conclusion

As stated in the body of the observation, we recognize that the district and transportation contractors complied with minimum legal requirements. For that reason, we address this not as a finding but rather as an observation. The department considers the lack of written procedures or policies addressing criminal convictions subsequent to the date of hire, although not legally required, to be an internal control weakness that could result in the continued employment of individuals who may nonetheless pose a risk if allowed to continue to have direct contact with children. Additionally, our current audit was limited to a review of only bus drivers' qualifications, and therefore would not have noted an internal control weakness for the qualifications of other employee groups. Therefore, this observation will stand as presented.

**Observation No. 2 – Internal Control Weakness Regarding School Violence Memorandum of Understanding**

Section 1303-A of the Public School Code requires all school entities to adopt a Memorandum of Understanding (MOU) between itself and its local law enforcement agencies setting forth the procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.<sup>3</sup>

Our review of the district's records found that the district had on file a properly signed MOU between itself and its local law enforcement agencies; however, the MOU has not been updated since June 6, 2003.

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<sup>3</sup> 24 P.S. § 13-1303-A(c).

ANTIETAM SCHOOL DISTRICT  
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**Observation No. 2 (Continued)**

Section VI, part B of the existing MOU states:

This memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

The failure to review and re-execute the MOU every two years is an internal control weakness that could result in unanticipated delays or lack of action by either or both parties, in the event of an emergency situation occurring.

Recommendation

The school board and district administrators, in consultation with the district's solicitor, should review and update the current MOU between itself and its local law enforcement agencies.

Response of Management

Management provided the following response agreeing with the observation:

Management agrees with this observation and has already started the process to update the Memorandum of Understanding between the Central Berks Regional Police Department and the Antietam School District.

ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

**Schedule of State Revenue Received**

The district reported it received state revenue of \$3,191,127, \$2,940,398, \$2,450,197 and \$2,398,577, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>STATE REVENUE</b>				
Basic Education	\$1,984,856	\$1,819,801	\$1,507,637	\$1,375,829
Charter Schools	5,438	1,350	2,113	2,482
School Performance Incentives	-	-	5,114	16,222
Tuition for Orphans and Children				
Placed in Private Homes	31,965	14,963	-	-
Homebound Instruction	32	147	100	276
Vocational Education	-	3	-	-
Alternative Education	3,977	8,401	-	3,561
Special Education	445,316	431,725	427,803	402,354
Transportation	98,237	86,469	74,410	70,720
Rental and Sinking Fund Payments	81,672	70,277	78,968	260,293
Health Services	26,840	27,870	29,347	29,309
Social Security and Medicare Taxes	247,393	234,595	220,556	207,049
Retirement	142,220	126,617	104,149	30,482
Other Program Subsidies/Grants:				
Pennsylvania Accountability	113,181	113,181	-	-
Demonstration	10,000	4,999	-	-
<b><u>TOTAL STATE REVENUE</u></b>	<b><u>\$3,191,127</u></b>	<b><u>\$2,940,398</u></b>	<b><u>\$2,450,197</u></b>	<b><u>\$2,398,577</u></b>

ANTIETAM SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

*Description of State Revenue Received (Source: Pennsylvania Accounting Manual)*

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.



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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

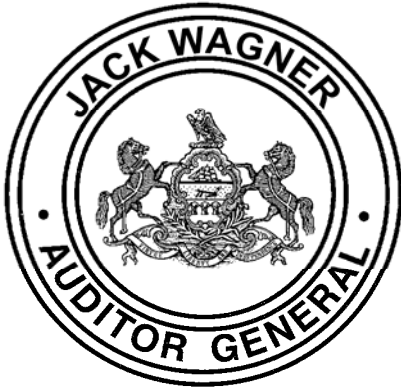
Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.



## BUREAU OF SCHOOL AUDITS

### AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

Mr. John Godlewski  
Director, Bureau of Budget and Fiscal Management  
Department of Education  
4<sup>th</sup> Floor, 333 Market Street  
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

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

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).