



**CAMERON COUNTY SCHOOL DISTRICT
CAMERON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JUNE 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Annetta Horning, Board President
Cameron County School District
601 Woodland Avenue
Emporium, Pennsylvania 15834

Dear Governor Corbett and Ms. Horning:

We conducted a performance audit of the Cameron County School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 7, 2011 through September 14, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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.

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings, observation, and recommendations have been discussed with 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,

/s/

EUGENE A. DEPASQUALE
Auditor General

June 24, 2013

cc: **CAMERON COUNTY 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 Cameron County School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 7, 2011 through September 14, 2012, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 401 square miles. According to 2010 federal census data, it serves a resident population of 5,085. According to District officials, the District provided basic educational services to 771 pupils through the employment of 65 teachers, 50 full-time and part-time support personnel, and 5 administrators during the 2009-10 school year. Lastly, the District received \$6.9 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings. In addition, we identified one matter unrelated to compliance that is reported as an observation.

Finding No 1: Failure to Have All School Bus Drivers' Qualifications on File. Our audit of the Cameron County School District's bus drivers' qualifications found that not all records were on file at the time of the audit (see page 5).

Finding No. 2: Internal Control Weaknesses and Lack of Adequate Documentation Supporting Pupil Transportation Reimbursement. Our audit of the Cameron County School District's pupil transportation operations for the 2009-10 school year found internal control weaknesses and discrepancies (see page 7).

Observation: Membership Reporting Errors and Lack of Internal Controls. Our review of the Cameron County School District's controls over membership data integrity found that internal controls need to be improved (see page 9).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

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 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 March 7, 2011 through September 14, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through July 24, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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 applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ 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?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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 does the current employment contract(s) contain adequate termination provisions?
- ✓ 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 votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

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 applicable laws, 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 applicable laws, contracts, grant requirements, and administrative procedures. 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 applicable state laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objective. 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.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, 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.

Findings and Observations

Finding No. 1 →

Failure to Have All School Bus Drivers' Qualifications on File

Criteria relevant to the finding:

Section 111 of the Public School Code, 24 P.S. § 1-111, 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 for certain criminal offenses, that in certain circumstances would prohibit the individual from being hired.

In addition, 24 P.S. § 1-111(c.1) requires an FBI fingerprint record check for all employees hired on or after April 1, 2007, and further states:

“[A]dministrators shall maintain on file with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Department of Education.”

Chapter 23 of the State Board of Education Regulations indicates the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations.

Our audit of the Cameron County School District's (District) bus drivers' qualifications for the 2011-12 school year found that not all records were on file at the time of the audit.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The purpose of these requirements is to ensure the safety and welfare of the students transported in school vehicles.

We reviewed the personnel records of five new drivers approved since the prior audit. Our review found that the District did not have on file, at the time of the audit, the federal criminal history records for two drivers.

Effective December 1, 2008, the Pennsylvania Department of Education (PDE) began using new procedures for obtaining federal criminal history background checks of prospective public school and private school employees and their contractors. Under the new system, PDE will provide access to federal criminal history record information records online to approved hiring entities (public and private schools) via a secure website. This provides schools with an official version of the FBI clearance.

District personnel were aware of the change in procedures. The District did have the “unofficial copy” of the clearance on file for both drivers. However, the “unofficial copy” of the federal clearance does not fulfill the District's request to have and review the driver's background check.

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

The failure to obtain the qualification documents could result in a driver whose suitability to have direct contact with children is questionable.

On July 20, 2012, we informed District management of the missing documentation and instructed them to obtain the necessary documents, so they can prove that the drivers are properly qualified to have direct contact with children.

On August 28, 2012, the transportation contractor provided us with the necessary documentation and we verified that the drivers had the proper qualifications to continue to have direct contact with children.

Recommendations

The *Cameron County School District* should:

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

Management Response

Management waived the opportunity to respond to the finding.

Finding No. 2

Internal Control Weaknesses and Lack of Adequate Documentation Supporting Pupil Transportation

Criteria relevant to the finding:

Chapter 23 of the State Board of Education regulations, 22 Pa. Code § 23.4, provides, in part:

“The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including the following:

(3) The establishment of the routes, schedules and loading zones which comply with laws and regulations

(6) The maintenance of a record of pupil transportation to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones.”

Section 518 of the Public School Code, 24 P.S. § 5-518, requires retention of these records for a period of not less than six years.

Instructions for completing PDE’s end-of-year pupil transportation reports state that the local education (LEA) must maintain records of miles with pupils, miles, without pupils, and the largest number assigned to each vehicles. Additionally, the instructions state that the procedures, information and data used by the LEA should be retained for audit purposes.

Our audit of the Cameron County School District’s (District) pupil transportation operations for the 2009-10 school year found internal control weaknesses and discrepancies between the transportation data submitted to the Pennsylvania Department of Education (PDE) and source documentation on file at the District. The source documentation provided by the District and the bus contractor did not support the daily mileage reported to PDE for transportation reimbursement.

We compared handwritten mileage logs that were prepared by the bus drivers to mileage logs that were generated by the contractor’s computer program and found numerous differences between the two. As a result, the auditor could not verify the accuracy of the information the District submitted to PDE. We also met with the bus contractor and determined that the bus contractor was changing stops, which affected the daily mileage, but was not reporting those changes to the District.

In addition, our audit found that incorrect mileage information was reported for one bus, with identical morning and afternoon runs. In some instances the mileage logs for the morning run would be different than the mileage for the afternoon runs, with no explanation for the fluctuation.

We also noted that the District’s Board of School Directors did not annually approve all bus routes and stops, or any changes to the routes/stops throughout the school year. State Board of Education Regulations state that the district’s board is responsible for all aspects of the pupil transportation program. The Board’s approval of the routes, and any changes to those routes is an indication of that approval.

Recommendations

The *Cameron County School District* should:

1. Prepare and retain complete daily mileage odometer readings identifying miles with and without pupils for each bus run, including odometer readings between all bus stops, and retain supporting documentation for all changes.
2. Review transportation reports submitted to PDE for years subsequent to our audit and ensure the reported data is accurate.
3. Prior to the start of every school year, have the Board of School Directors approve all routes and stops, and also any changes that may occur throughout the school year.

Management Response

Management waived the opportunity to respond to the finding.

Observation

Membership Reporting Errors and Lack of Internal Controls

Criteria relevant to the observation:

According to the Pennsylvania Department of Education's 2009-10 *PIMS User Manual*, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. 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.

Additionally, according to the Federal Information Systems Control Manual (FISCAM), 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.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 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. LEAs must ensure that they have strong internal controls to mitigate these risks to the integrity of their data. 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 Cameron County School District's (District) controls over data integrity found that internal controls need to be improved. Specifically, our review found that the District does not have adequate procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel.

Additionally, our review of pupil membership for the 2009-10 school year found the following errors, which did not affect the District's basic education subsidy:

- Use of the wrong residency code for two secondary nonresident children placed in private homes, for a total of 44 days.
- Use of the incorrect number of days when uploading the District's calendar. The District's school calendar was 180 days for grades 1 through 12. The District reported 182 days. The number of days for full-time kindergarten was 178, but 180 days were reported.

- The number of resident membership days on the District's source documentation was different than the days uploaded to PIMS and to the days reflected on the PIMS calendar fact template.
- Student information was incomplete for some students in the District's child accounting system.

The cause of the errors was as follows:

- Student registration is being done by more than one person.
- No review is performed prior to reports being uploaded to PIMS.
- No review is performed to compare the preliminary PIMS reports and the District's child accounting reports.
- District personnel were unfamiliar with PIMS guidelines.

Recommendations

The *Cameron County School District* should:

1. Read and become familiar with the PIMS manual.
2. Prepare documented procedures (e.g. procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
3. Cross-train individuals so they are familiar with PDE's child accounting reporting requirements and PIMS reporting procedures in the event of a sudden change in personnel.
4. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students are classified correctly.
5. Improve communication between personnel if more than one person enters data.
6. Review reports for school years subsequent to our audit years for pupil classification accuracy, and revise them if necessary.

Management Response

Management waived the opportunity to respond to the observation.

Status of Prior Audit Findings and Observations

Our prior audit of the Cameron County School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
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The Honorable William E. Harner
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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.

