



**COMMODORE PERRY SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

FEBRUARY 2014

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. Cathy Adsit, Board President
Commodore Perry School District
3002 Perry Highway
Hadley, Pennsylvania 16130

Dear Governor Corbett and Ms. Adsit:

We conducted a performance audit of the Commodore Perry School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period August 25, 2011 through April 22, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with relevant requirements, except as detailed in two (2) findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

February 11, 2014

cc: **COMMODORE PERRY 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 Commodore Perry School District (District) in Mercer County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period August 25, 2011 through April 22, 2013, 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 74 square miles. According to 2010 federal census data, it serves a resident population of 4,235. According to District officials, the District provided basic educational services to 513 pupils through the employment of 45 teachers, fifteen (15) full-time and part-time support personnel, and two (2) administrators during the 2011-12 school year. The District received \$5,501,597 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for two (2) compliance related matters reported as findings.

Finding No. 1: Failure to Have Established Internal Controls Relating to Contracted Bus Drivers' Qualifications.

Our current audit of the Commodore Perry School District's (District) school bus drivers' credentials revealed outdated clearances, missing clearances, and expired physical examination forms. In addition, three (3) bus drivers had not been approved by the Board of School Directors prior to transporting District students (see page 6).

Finding No. 2: Failure to Ensure that Non-Resident (Foster Child) Information Was Properly Reported for Reimbursement.

Our audit of the Commodore Perry School District's Pupil Information Management System (PIMS) and non-resident membership data revealed that in the 2011-12 school year, the District did not successfully correct a Pennsylvania Department of Education error report resulting in the elimination of one (1) foster child from their PIMS report (see page 9).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Commodore Perry School District (District) from an audit released on January 20, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to ensuring that all federal

criminal history reports were on file for the District's bus drivers. However, the District did not take appropriate corrective action in reviewing each driver's qualifications prior to transporting District students (see page 12).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period August 25, 2011 through April 22, 2013, except for the verification of professional employee certification, which was performed for the period July 15, 2011 through April 15, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ 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, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

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

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

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.

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, 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.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 20, 2012, we reviewed the District's response to PDE dated April 16, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1 →

Criteria relevant to the finding:

Section 111 of the Public School Code (PSC), 24 P.S. § 1-111 (Act 34 of 1985, as amended), requires prospective school employees who 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, if indicated on the report to have occurred within the preceding five (5) years, would prohibit the individual from being hired.

Additionally, as of April 1, 2007, under Act 114 of 2006, as amended (see 24 P.S. § 1-111 (c.1)), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have contact with children. The Act requires the report to be reviewed in a manner prescribed by the Pennsylvania Department of Education. The review of the CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

Failure to Have Established Internal Controls Relating to Contracted Bus Drivers' Qualifications

Our audit of the Commodore Perry School District's (District) school bus drivers' qualifications revealed the outdated clearances, missing clearances, and expired physical examination forms. In addition, three (3) bus drivers had not been approved by the Board of School Directors prior to transporting District students.

Non-compliance with the Pennsylvania School Code (PSC) and the lack of appropriate internal controls relating to bus driver qualifications was attributed to the District's prior administrator being responsible for all facets of the District's transportation program, including bus drivers.

The administrator had not been directed or required to develop written procedures, in conformance with the PSC, relating to required clearances, acceptability of presented credentials, and the necessity that potential bus drivers be board approved prior to the transporting of District students. In addition, we also noted that the administrator did not implement any systematic dual controls to ensure the validity of presented credentials nor did the administrator allow for cross training to ensure continuity of operations.

Our audit of thirteen (13) newly hired bus drivers revealed:

- Seven (7) drivers had outdated Act 34, Criminal History Record, and Act 114, Federal Bureau of Investigations Fingerprint Clearances, on file.
- Six (6) drivers had outdated Act 151, Child Abuse Clearances, on file.
- Two (2) drivers did not have Act 151, Child Abuse Clearances, on file.
- Two (2) drivers did not have current physical examination forms on file.

Criteria relevant to the finding (continued):

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa.C.S. § 6355, known as Act 151, requires prospective school employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in founded report for school employee.

Chapter 23 of the State Board of Education Regulations indicates that 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

The Pennsylvania Department of Transportation bus driver regulations requires that school employees who operate a school bus transporting students to/from and school-sponsored events are required to have a school bus endorsement on their license.

- Three (3) drivers had not been approved by the District’s Board of School Directors (Board).

As of April 18, 2013, we learned that:

- The District received verification from the contractor that one (1) driver without an Act 151 Clearance was no longer employed by the contractor.
- Of the two (2) drivers that did not have a current physical examination, one (1) of the drivers had retired and was now residing in Florida, and the other had obtained full-time employment elsewhere and was not transporting students.
- Of the three (3) drivers who were not board approved, two (2) were approved by the Board at its April 2013 meeting, and the third driver, in an effort not to disrupt the District’s student transportation program, received an emergency administrative approval contingent on verification that an Act 151 application was submitted.
- The “Acting Superintendent” will include bus driver qualifications and procedures on the transition action plan for the new superintendent, when hired.

By not having the required bus drivers’ qualifications on file and by not having appropriate board approval, the District was unable to provide full assurance that the contracted drivers were qualified to transport students. Utilization of unqualified drivers could present an increased risk to the safety and welfare of the District’s students.

Recommendations

The *Commodore Perry School District* should:

1. Allow the District’s transportation coordinator to attend conferences and training sessions relating to bus drivers’ qualifications and recordkeeping requirements.
2. Develop procedures to ensure that contractor recommended drivers’ credentials are reviewed prior to board approval to ensure completeness and appropriateness.

3. Review board established policy to ensure that contractors are not allowed to utilize any driver in the transportation of students prior to the obtaining of all required credentials; the submission of the credentials to the District for review and board approval; and the receipt of verification that the driver has been properly reviewed and approved to transport students.

Management Response

“Corrective action was implemented during the audit where feasible and management will develop practices and procedures to ensure compliance with PDE requirements.”

Auditor Conclusion

We are encouraged the District is taking action to correct the deficiencies in its bus driver qualifications. We will follow up on this finding during our next cycle audit.

Finding No. 2

Failure to Ensure that Non-Resident (Foster Child) Information Was Properly Reported For Reimbursement

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) 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 the state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Educations; Limited English Proficiency Participation; Migrant Status and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

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 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 the data that 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 have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our audit of the Commodore Perry School District's (District) PIMS and non-resident membership data revealed that in the 2011-12 school year, the District did not successfully correct a PDE error report resulting in the elimination of one (1) non-resident child placed in private homes (foster child) from their PIMS report.

At the time the District noticed the error, PDE's window to make corrections had closed, but after contacting PDE, the District was granted permission to make this correction, which prevented the District from not receiving a timely tuition reimbursement.

Additionally, we noted that the District failed to receive \$16,028 in Commonwealth tuition reimbursement for foster students, which was due to the District for the 2009-10 school year. Further review found that on July 18, 2011, the District received a validation report from PDE showing errors in the reporting of two (2) non-resident foster students for the 2009-10 school year.

Criteria relevant to the finding (continued):

Additionally, according to the Federal Information System Controls Audit 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.

Section 1305 of the Public School Code (PSC), 24 PS § 13-1305, states, in part, “when a nonresident child is placed in the home of a resident of any school district by order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, such resident being compensated for keeping the child, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children.”

Section 2503 of the PSC, 24 PS § 25-2503, states, in part, that each school district . . . which accepts any non-resident child in its school under the provision of . . . section one thousand three hundred five . . . shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil . . .

When we brought the issue to the attention of District personnel, PDE was immediately contacted and the District received authorization to submit the necessary information for error correction. PDE also assured the District that the tuition reimbursements would be received by June 30, 2013.

At the time of our audit, PDE’s final membership reports were not available for review. Subsequent to our audit fieldwork, the District received tuition reimbursement of \$16,028 on May 31, 2013, and \$19,498 was received on June 27, 2013.

The lack of appropriate follow-up on the District’s corrective entries was attributed to a prior administrator, who is no longer with the District, who had sole responsibility for the District’s membership and attendance reporting into PIMS.

The District had not established or required parameters to ensure that dual controls were in place to ensure the accuracy of the submitted data. In addition, the District had not anticipated that data corrections might be necessary and thereby established no procedures to ensure timeliness of correction, propriety of the corrections entered and the establishment of an appropriate receivable to ensure the timely receipt of the outstanding tuition due to the District.

Lastly, with only one (1) individual being responsible for PIMS, not only were no written procedures developed, the District had no one cross-trained to ensure for continuity of operations without disruption.

Recommendations

The *Commodore Perry School District* should:

1. Allow the PIMS Coordinator to attend PDE conferences and training session related to PIMS requirements, reporting, and recordkeeping.
2. Develop appropriate written procedures for the student accounting software and PIMS systems to ensure propriety of entry, accuracy of reported data, and report verification.

3. Require responsible District personnel to periodically obtain and review PIMS reports to ensure that PDE initiated corrective entries are correct and proper.
4. Require the PIMS Coordinator to review subsequent year's data to ensure for the proper reporting of foster and other non-resident students.
5. Develop an internal control process to review PDE's audit confirmation of subsidy payments to ensure that all subsidy reimbursements are properly and timely received.

Management Response

“Corrective action was implemented during the audit. Management has taken steps to monitor our reporting mechanisms and will continue to develop practices that ensure correct reporting.”

Auditor Conclusion

We are encouraged the District is taking action to correct the deficiencies in its student data reporting. We will follow up on this finding during our next cycle audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Commodore Perry School District (District) released on January 20, 2012, resulted in one (1) finding. The finding pertained to school bus drivers' qualification deficiencies. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior finding. As shown below, we found that the District implemented one (1) of our two (2) recommendations related to bus drivers' qualifications.

Auditor General Performance Audit Report Released on January 20, 2012

Finding: **School Bus Drivers' Qualifications Deficiencies**

Finding Summary: Our prior audit of the District's school bus drivers' qualifications for the 2010-11 school year found that not all required records were on file at the District at the time of the audit.

Recommendations: Our audit finding recommended that the District:

1. Ensure that all federal criminal record checks are done in accordance with the method prescribed by PDE.
2. Review each driver's qualifications prior to that person transporting District students.

Current Status: During our current audit, we found that the District did implement the recommendation to ensure that all federal criminal record checks were done in accordance with the method prescribed by PDE. However, the District did not implement our recommendation to review each driver's qualifications prior to the being allowed to transport the District's students, (see Finding No. 1, page 6).

Distribution List

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

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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.