



**COUDERSPORT AREA SCHOOL DISTRICT
POTTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MAY 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

Mr. Joseph Lagrua, Board President
Coudersport Area School District
698 Dwight Street
Coudersport, Pennsylvania 16915

Dear Governor Corbett and Mr. Lagrua:

We conducted a performance audit of the Coudersport Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 12, 2010 through November 20, 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. However, 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 observation 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,

/s/

EUGENE A. DEPASQUALE
Auditor General

May 6, 2013

cc: COUDERSPORT AREA 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 Coudersport Area 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 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 February 12, 2010 through November 20, 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 214 square miles. According to 2010 federal census data, it serves a resident population of 5,691. According to District officials, the District provided basic educational services to 902 pupils through the employment of 73 teachers, 30 full-time and part-time support personnel, and 11 administrators during the 2009-10 school year. Lastly, the District received \$5.8 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the CASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Internal Control Weakness in Administrative Policy Regarding Bus Drivers' Qualifications.

Neither the District nor its transportation contractor have implemented written policies or procedures to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses, as recommended in our prior two audits (see page 7).

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 September 20, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 9). We found the District had not taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses regarding bus drivers' qualifications (see page 10).



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 February 12, 2010 through November 20, 2012, except for the verification of professional employee certification, which was performed for the period July 1, 2011 through June 30, 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 did 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?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 internal 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.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 20, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Internal Control Weakness in Administrative Policy Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

The Public School Code (PSC) Section 111 (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 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.

Similarly, Section 6355 of the Child Protective Services Law (CPSL) (23 Pa. C.S. § 6355) 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.

Act 24 of 2011 amended Section 111 of the PSC. The PSC now requires employees of public and private schools, intermediate units, area vocational-technical schools, independent contractors and their employees who have direct contact with children to complete a form indicating if they have been arrested or convicted of crimes listed in Section 111, and to provide written notice within seventy-two hours after any subsequent arrest or conviction for such an offense.

Our current audit found that the Coudersport Area School District (District) failed to implement recommendations made during our prior two audits regarding bus drivers' qualifications. We made our recommendations in the interest of the protection of students, and here reiterate our recommendations.

The ultimate purpose of the requirements of the Public School Code (PSC) and the Child Protective Services Law (CPSL), cited in the box to the left, 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.

Our review of the personnel records of six drivers hired by the District's independent contractors since our prior audit found that these individuals possessed the minimum requirements to be employed as bus drivers and that the District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files, which we reviewed. There was no information contained in these reports that would have prohibited the District from hiring any of the drivers. Therefore, we concluded that the District has satisfied the minimum legal requirements set forth in both the PSC 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.

Although the District has complied with Act 24 of 2011, amending PSC Section 111, they do not have policies in place to ensure that they are notified when bus drivers are charged with other serious crimes not covered in Act 24 of 2011, which could affect their suitability to have direct contact with children.

Recommendations

The *Coudersport Area School District* should:

Expand the policy adopting Act 24 of 2011 to include other serious crimes not listed in Section 111 of the PSC.

Management Response

Management stated the following:

“Although we are meeting the minimum requirements, we will actively pursue an administrative policy to correct the internal control. The Superintendent will contact the PSBA and other districts to gain an understanding of how the issue is handled in other districts.”

Status of Prior Audit Findings and Observations

Our prior audit of the Coudersport Area School District (District) released on September 20, 2010 resulted in one finding and one observation. The finding pertained to certification, and the observation pertained to administrative policies regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement recommendations related to certification. The District did not implement our recommendations related to administrative policies regarding bus drivers' qualifications.

Auditor General Performance Audit Report Released on September 20, 2010

Finding: **Certification Deficiency**

Finding Summary: Our prior audit of the District's professional employees' certificates and assignments for the period of November 1, 2007 through January 11, 2010, found one professional employee was employed with a lapsed certificate for the 2008-09 school year and for three months of the 2009-10 school year.

Recommendations: Our prior audit finding recommended that the District:

Assign an individual to track years of service to ensure all certificates are made permanent before the provisional certificates expire.

We also recommended that the Pennsylvania Department of Education (PDE):

Adjust the District's allocations to recover the appropriate subsidy forfeitures.

Current Status: During our current audit procedures, we found that the District did implement our recommendations. The Superintendent is currently tracking years of service on all nonpermanent certificates.

In December 2010, PDE withheld \$3,201 from the District's allocations to assess the subsidy forfeitures.

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

Observation Summary: Our prior audit found that the District failed to implement recommendations made during prior audits regarding bus drivers' qualifications.

Prior management disagreed with this observation in the past, and therefore did not implement our recommendations.

Recommendations: Our prior audit observation recommended that the District:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District and the District's independent contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to have direct contact with children.

Current Status: During our current audit procedures, we found that the District still has not implemented our recommendations, as noted in the observation of the current report (see page 6). Although the District has complied with the Public School Code, they do not have policies in place to ensure they are notified when bus drivers are charged with serious crimes not covered in Section 111 of the Public School Code, which could affect their suitability to have direct contact with children.

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
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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, 231 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Pennsylvania Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

