

DOVER AREA SCHOOL DISTRICT  
YORK COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2011



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

Mr. Bryan Rehm, Board President  
Dover Area School District  
2 School Lane  
Dover, Pennsylvania 17315

Dear Governor Corbett and Mr. Rehm:

We conducted a performance audit of the Dover Area School District (DASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 18, 2008 through September 23, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 DASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

March 4, 2011

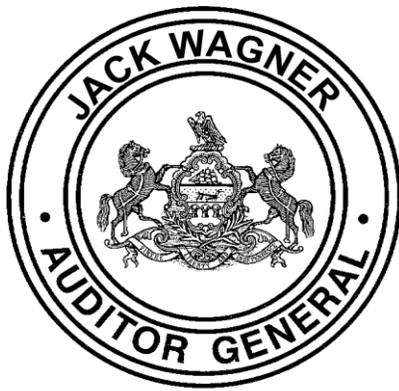
cc: **DOVER AREA SCHOOL DISTRICT** Board Members

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Dover Area School District (DASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the DASD in response to our prior audit recommendations.

Our audit scope covered the period April 18, 2008 through September 23, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

### **District Background**

The DASD encompasses approximately 65 square miles. According to 2000 federal census data, it serves a resident population of 22,349. According to District officials, in school year 2007-08 the DASD provided basic educational services to 3,548 pupils through the employment of 251 teachers, 182 full-time and part-time support personnel, and 16 administrators. Lastly, the DASD received more than \$17 million in state funding in school year 2007-08.

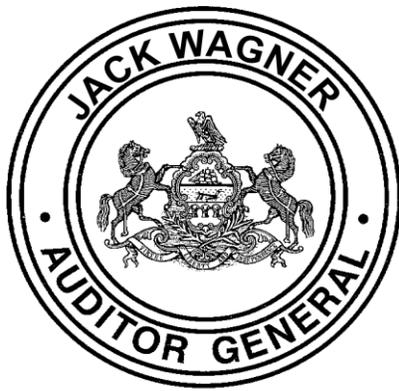
### **Audit Conclusion and Results**

Our audit found that the DASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

**Finding: Memorandum of Understanding Continued To Not Be Updated Timely.** Our audit of the DASD's records found that the current Memorandum of Understanding between the DASD and its two law enforcement agencies was last signed June 7, 2006, and has not been updated (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the DASD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the DASD had taken appropriate corrective action in implementing our recommendations pertaining to bus driver qualifications deficiencies (see page 8), inadequate documentation for transportation mileage and pupil data (see page 9) and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 9).

We also found the DASD had not taken appropriate corrective action in implementing our recommendations pertaining to the Memorandums of Understanding (see page 10).



## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the 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 PA 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 April 18, 2008 through September 23, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 Department of Education 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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the DASD's compliance with applicable 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:

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the

buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?

- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## 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, regulations, contracts, grant requirements and administrative procedures.

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

DASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

Additionally, we interviewed selected administrators and support personnel associated with DASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 27, 2009 we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Memorandum of Understanding Continued To Not Be Updated Timely

*Criteria relevant to the finding:*

The MOU, section VI B, with the law enforcement agencies 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 (emphasis added).

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and its two law enforcement agencies was last signed June 7, 2006 and has not been updated. We found the same deficiency in our prior audit.

The failure to update the MOU with the law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and its law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

### Recommendations

The *Dover Area School District* should:

1. Review, update and re-execute the current MOU between the District and the law enforcement agencies.
2. Follow the General Provisions of the District's MOU (Section VI, item B) which 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.
3. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

**Management Response**

Management stated the following:

Corrective action planned is to address re-execution every two years as noted in our revised policy number 225, Relations with Law enforcement agencies. In addition the Superintendent and his/her designee will ensure the re-execution occurs.

## Status of Prior Audit Findings and Observations

Our prior audit of the Dover Area School District (DASD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two reported findings and two reported observations as shown in the following table. 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 questioned District personnel regarding the prior findings and observations. As shown below, we found that the DASD did implement recommendations related to the two findings and one of the observations. We also found the DASD did not implement recommendations related to the other observation as shown below.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Bus Drivers' Qualifications Deficiencies</i></u></p> <ol style="list-style-type: none"> <li>1. Establish a procedure to ensure that contracted bus drivers' licenses, physical certificates, criminal histories and clearances are current and valid.</li> <li>2. Review and verify each driver's qualifications prior to that person transporting students.</li> <li>3. Maintain a file for each driver, separate from the transportation contractor's file and ensure that these files are up-to-date and complete.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the personnel records of the transportation contractor found that one driver's Commercial Driver's License (CDL) expired March 8, 2007 and her temporary camera card license expired April 28, 2007. The driver obtained a current, valid CDL issued December 18, 2007.</p> <p>Additionally, the District files failed to contain the following:</p> <ul style="list-style-type: none"> <li>• Current, valid CDL for two drivers.</li> <li>• Current, valid S endorsement card for one driver.</li> <li>• Current annual physical certificates for two drivers.</li> <li>• Criminal history records for three drivers.</li> <li>• FBI criminal history clearance for one driver.</li> </ul>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented a tickler file system that maintains the required bus drivers' documentation informing the transportation supervisor what files the driver may be missing, when an item expires or is due for renewal. The transportation supervisor now examines each driver's qualifications before they are allowed to drive students. The transportation supervisor maintains a file for each driver containing all their clearances and other documents. Files are updated immediately when the computer program alerts the transportation coordinator that a driver's document needs to be reviewed or updated.</p>

<p><b><u>II. Finding No. 2:</u></b>  <b><u>Inadequate Documentation for Transportation Mileage and Pupil Data Resulted in Questionable Reimbursement of \$3,494,195</u></b></p> <ol style="list-style-type: none"> <li>1. Obtain and retain pupil rosters in support of the greatest number of pupils assigned to ride a vehicle at any one time, that were reported on the eight monthly totals listed on the District's calculation workpaper.</li> <li>2. Obtain and retain pupil rosters listing the individual student name and address, supporting the number of hazardous route pupils reported to the Department of Education (DE) for reimbursement.</li> <li>3. Comply with DE guidelines and instructions for the reporting of transportation data.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's transportation reimbursement for the years ended June 30, 2006, 2005, and 2004 found a lack of supporting documentation to verify reimbursements of \$1,063,513, \$957,836, and \$999,749, respectively.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District began retaining pupil rosters in support of the greatest number of pupils assigned to a vehicle beginning with the 2006-07 school year.</p> <p>For the 2007-08 and 2006-07 audit years, the District did not obtain and retain pupil rosters listing the individual student name and address, supporting the number of hazardous route pupils reported to DE for reimbursement. However, the District did provide documentation that supports a pupil roster was available for the 2009-10 school year.</p> <p>Finally, the District implemented procedures for reporting the greatest number of pupils assigned to ride a vehicle and will be in compliance with hazardous route pupil documentation in the 2009-10 school year.</p>
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<p><b><u>III. Observation No. 1:</u></b>  <b><u>Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></b></p> <ol style="list-style-type: none"> <li>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District and the District's transportation contractor have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that neither the District nor its transportation contractor have written policies or procedures in place to ensure that they 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.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that our recommendations were implemented.</p>
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<p>direct contact with children.</p> <p>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 continue to have direct contact with children.</p>		
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<p><u>IV. Observation No. 2:</u> <u>Memorandums of Understanding Not Updated Timely</u></p> <p>1. Review, update and re-execute the current Memorandum of Understandings (MOU) between the District and law enforcement agencies.</p> <p>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>	<p><b>Background:</b></p> <p>Our prior audit of the District’s records found that the current MOU between the District and its two law enforcement agencies, were signed May 3, 1999 and May 6, 1999, respectively, and have not been updated.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District’s current MOUs were dated June 7, 2006 and have not been updated.</p> <p>Since the MOUs have not been updated within the last two years as provided for in the MOUs, this issue will be addressed as a finding in the current audit report.</p> <p>Furthermore, the district did not adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>
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## **Distribution List**

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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:

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