

FAIRFIELD AREA SCHOOL DISTRICT

ADAMS COUNTY, PENNSYLVANIA

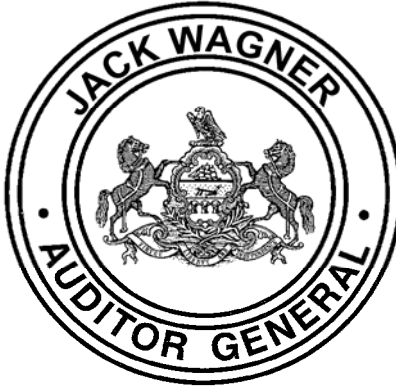
PERFORMANCE AUDIT REPORT

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

WITH FINDING, OBSERVATION, RECOMMENDATIONS  
AND STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

THROUGH JULY 6, 2006





FAIRFIELD AREA SCHOOL DISTRICT  
ADAMS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004  
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AND STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS  
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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

We have conducted a performance audit of the Fairfield Area School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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 was limited to the following objectives:

- . Objective No. 1 - To determine if the Fairfield Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Fairfield Area School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

Solely to assist us in planning and performing our audit, we made a study and evaluation of the internal controls of the Fairfield Area School District to determine if internal controls were adequate to help ensure the district's compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit. Accordingly, we do not express any assurance on the internal controls.

### Independent Auditor's Report (Continued)

The results of our tests identified internal control weaknesses and indicated that, in all significant respects, the Fairfield Area School District was in compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the findings and recommendations contained in our prior audit report, except as noted in the following findings and observation further discussed in the Conclusions section of this report:

#### Objective No. 1

- Finding – Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act
- Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

#### Objective No. 2

- Finding – Certification Irregularities
- Finding – Insufficient Transportation Documentation Resulted in Questionable Transportation Reimbursements of \$1,276,341

We believe our recommendations, if implemented by the district, will improve the internal control weakness identified and help ensure compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

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.

July 6, 2006

/s/  
JACK WAGNER  
Auditor General

FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

Information, as provided by school district officials, indicates that the Fairfield Area School District is located in Adams County and encompasses an area of approximately 62 square miles. The school district has a population of 7,056, according to the 2000 federal census. The administrative offices are located at 4840 Fairfield Road, Fairfield, Pennsylvania.

According to school district administrative officials, during 2003-04, the district provided basic educational services to 1,305 pupils through the employment of 8 administrators, 90 teachers, and 57 full-time and part-time support personnel. Special education was provided by the district and the Lincoln Intermediate Unit #12. Occupational training and adult education in various vocational and technical fields were provided by the district.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year 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 23 through 25 of this report for a listing of the state revenue the district received during the 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July, the 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.

FAIRFIELD AREA SCHOOL DISTRICT  
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OBJECTIVES, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE**

Our audit objectives were:

- . Objective No. 1 - To determine if the Fairfield Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Fairfield Area School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

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

**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.

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, grants, 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 the district incurs the qualifying cost. Since 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.

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**CONCLUSIONS – OBJECTIVE NO. 1**

The first objective of our audit was to determine if the Fairfield Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Fairfield Area School District complied with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit, except as noted in the Conclusions-Objective No. 2 section of this report and the finding listed below. Additionally, we identified internal control weaknesses as noted in the observation included in this report. The findings, observation and recommendations were reviewed with representatives of the Fairfield Area School District, and their comments have been included in this report.

**Finding – Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act**

Our initial review of Fairfield Area School District records, conducted on June 5, 2006, disclosed one former board member failed to file a Statement of Financial Interests for the year ended December 31, 2005, and one former board member failed to file a Statement of Financial Interests for the year ended December 31, 2003.

As a result of our initial review, the district's administrative assistant requested the former board members to submit their Statements of Financial Interests. As of July 6, 2006, a Statement of Financial Interests was received from one former board member for the year ended December 31, 2005. Since the form was to be filed by May 1, 2006, the submission of the Statement of Financial Interests dated July 2, 2006, was not timely.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1<sup>st</sup> of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statements of Financial Interests constituted a violation of the Ethics Act.

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**Finding (Continued)**

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides, in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

Any person who is required to file a Statement of Financial Interests and fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Furthermore, any person who is required to file a Statement of Financial Interests and fails to do so in a timely manner, or who files a deficient Statement of Financial Interests, may be fined not more than \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The board should:

- seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided a response agreeing with the finding, but chose not to offer any further written comments.

FAIRFIELD AREA SCHOOL DISTRICT  
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**Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications**

Section 111 of the Public School Code of 1949, 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 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 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.

Our review of the personnel records of all 28 bus drivers currently employed by the district’s transportation contractors disclosed that these individuals possessed the minimum requirements to be employed as bus drivers and that the Fairfield Area School District or its transportation contractors had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers’ files that we reviewed. There was no information contained in these reports that would have prohibited the Fairfield Area School District from hiring any of the drivers. Therefore, we concluded that the Fairfield Area 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 applicants’ suitability to have direct contact with children.

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<sup>1</sup> 24 P.S. § 1-111.

<sup>2</sup> 23 Pa.C.S. § 6355.

## FAIRFIELD AREA SCHOOL DISTRICT PERFORMANCE AUDIT REPORT

### **Observation (Continued)**

However, neither the district nor the transportation contractors 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 contractors have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children; and
- implementing written policies and procedures to ensure 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.

### **Response of Management**

Management provided the following response, disagreeing with the observation.

The [school district] acknowledges that PA school code does not require administrative policies regarding bus driver qualifications during employment relating to said drivers being charged with or convicted of an incident of child abuse or criminal act. Accordingly, the District is in compliance and there are no documented internal control weaknesses relating to this observation.

However, the District would strongly recommend that the Auditor General begin to work with the Pennsylvania legislature to develop an appropriate public school law to address this issue on a statewide basis. We would further recommend that such laws include all public school district employees that are charged with or convicted of an incident of child abuse or criminal act during employment.

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**Observation (Continued)**

Auditor's Conclusion

As noted previously in this observation, the ultimate purpose of these requirements is to ensure the protection of the safety and welfare of students transported in school buses. We believe the lack of policy or procedure requiring notification to the district if the transportation contractors' current employees are charged with or convicted of serious crimes or offenses may pose a risk to the safety and welfare of students. Therefore, the observation will stand as written.

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**CONCLUSIONS - OBJECTIVE NO. 2**

The second objective of our audit was to determine if the Fairfield Area School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report for the years ended June 30, 2002, 2001, 2000 and 1999 and in certain areas extending beyond June 30, 2002. The status of these findings, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- review of the board's written response, dated November 17, 2003, to the Labor, Education and Community Services, Comptroller's Office, replying to the Auditor General's audit report for the years ended June 30, 2002, 2001, 2000 and 1999 and in certain areas extending beyond June 30, 2002;
- tests performed as a part of, or in conjunction with, the current audit; and
- questioning of appropriate district personnel regarding specific prior years' findings and recommendations.

**Finding No. 1 – Pupil Membership Errors Resulted in a Net Overpayment of \$21,351 in Subsidies and Reimbursements**

Our prior audit review of pupil membership records for the 2001-02, 2000-01, 1999-2000, and 1998-99 school years disclosed errors in data reported to the Department of Education (DE). These errors resulted in a net overpayment in subsidies and reimbursements of \$21,351, as follows:

<u>Description</u>	<u>2001-02</u>	<u>(Over)/Underpayments</u>		<u>1998-99</u>	<u>Totals</u>
		<u>2000-01</u>	<u>1999-2000</u>		
Tuition for Children Placed in					
Private Homes	\$5,336	\$(18,955)	\$(6,660)	\$ -	\$(20,279)
Basic Education Funding (BEF)	1,315	2,124	(1,588)	(940)	911
Special Education Subsidy	<u>*</u>	<u>(674)</u>	<u>(692)</u>	<u>(617)</u>	<u>(1,983)</u>
Totals	<u>\$6,651</u>	<u>\$(17,505)</u>	<u>\$(8,940)</u>	<u>\$(1,557)</u>	<u>\$(21,351)</u>

\*Data needed to complete this calculation was not available from DE at the time of our prior audit.

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**Finding No. 1 (Continued)**

We recommended that the child accounting coordinator:

- . attend training sessions offered by DE and the Lincoln Intermediate Unit (LIU);
- . ensure student membership reported as children placed in private homes was adequately supported by placing agency documentation;
- . ensure resident membership was accurately reported; and
- . review membership data for years subsequent to our current audit and submit revised reports to DE if errors were found.

We also recommended that DE adjust the district's allocations to recover the net overpayment of \$21,351.

The board, in its written response, agreed with the finding and detailed a corrective action plan which included implementation of a centralized student registration system as of July 1, 2003, with established procedures for nonresident students. The board further stated that the district would implement a comparison of back-up documentation with LIU reports for verification of residency, and creation of a data form for students placed in district classrooms by the LIU to improve documentation for such students.

Our review of the district's membership data for 2003-04 and 2002-03 disclosed that district personnel did comply with our recommendations and no significant errors were noted. Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

As of July 6, 2006, resolution of the net overpayment of \$21,351 was partially resolved by DE. The tuition for children placed in private homes net overpayment of \$20,279 was resolved by DE deducting \$25,610 on June 1, 2005, and paying the district an additional \$5,336 on June 29, 2006. As a result of additional information provided by DE since the completion of our prior audit, we computed that the district's revised net BEF underpayment was \$1,073 for the four audit years. Payments to the district for 2003-04 BEF and special education subsidy were paid using a guarantee of prior year's amount factor as part of the formula. Since DE did not act in a timely manner to adjust the district's allocations as recommended, an additional BEF underpayment of \$1,369 occurred in the 2003-04 payable year. DE resolved the revised net BEF underpayment by paying the district \$2,442 on June 1, 2005.

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**Finding No. 1 (Continued)**

As of July 6, 2006, resolution of the special education subsidy overpayments was still pending DE review. Based on additional data made available by DE since our prior audit, we computed the 2002-03 overpayment to be \$685. Also, since DE did not act in a timely manner to adjust the district's allocations as recommended, additional special education overpayments of \$685 and \$685 occurred for the 2004-05 and 2003-04 payable years, respectively. Therefore, we recommend that DE adjust the district's allocations to recover the revised special education overpayments of \$4,038.

**Finding No. 2 – Certification Irregularities**

Our prior audit review of the professional employees' certification and assignments from February 1, 2001 through July 3, 2003, was performed to determine compliance with the Public School Code and DE's Bureau of Teacher Certification and Preparation (BTCPP) Certification and Staffing Policies and Guidelines (CSPG). Our review disclosed that:

- one individual certified in Chemistry was assigned to teach field biology/environmental studies in 2002-03, which required Environmental Science certification as described in CSPG #63; and
- one individual's teaching certificate was lapsed from February of 2002 through March of 2002.

Information pertaining to the assignment and certificate was submitted to BTCPP for determination. Subsequently, BTCPP confirmed the irregularities; the district was therefore subject to subsidy forfeitures of \$1,143 and \$604 for the 2002-03 and 2001-02 school years, respectively.

We recommended that the superintendent:

- require the individual certified in Chemistry to obtain proper certification or reassign him to a position for which he was properly certified; and
- review work histories for individuals who hold temporary certificates and take appropriate action to ensure that temporary certificates do not lapse prior to the individuals obtaining permanent certification.

We also recommended that DE adjust the district's allocations to recover the subsidy forfeitures.

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**Finding No. 2 (Continued)**

The board, in its written response, agreed with the finding and stated:

The former high school principal reviewed the criteria for the assignment and considered it to be the correct certification. However, based on this citation, we will review the certification and correct the assignment beginning with the 2003-2004 school year. We also recognize that there was a 30-day lapsed certificate. We will give every effort to keep our teachers and staff educated and informed regarding the requirements and timely submittal of the certification paperwork.

Our current audit disclosed that the individual certified in Chemistry was reassigned to teach chemistry and general science beginning with the 2003-04 school year and continuing through the 2005-06 school year. We verified the individual was appropriately certified for this assignment. We also verified that the individual whose certificate was lapsed from February of 2002 through March of 2002 did obtain a valid, permanent Pennsylvania teaching certificate in April of 2002.

As noted in our prior audit report, BTCP issued its final audit review on July 15, 2003, confirming the irregularities as detailed in this finding. As a result of this determination, DE computed the district was subject to subsidy forfeitures of \$1,747. DE deducted the \$1,747 from the district's April 29, 2004, BEF payment to resolve this finding.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this finding. Although the irregularities for the specific individuals cited in the previous audit were corrected, similar certification irregularities involving other individuals were again noted during the current audit.

Our current review of the professional employees' certification and assignments from July 4, 2003 through June 16, 2006, disclosed that:

- one individual certified in Data Processing, Office Technologies and Cooperative Education was assigned to teach accounting I and II during 2005-06, which required Accounting certification as described in CSPG #33;
- one individual was employed as a learning support teacher for the 2004-05 and 2003-04 school years and did not hold the appropriate emergency special education certification for the periods September of 2004 through December of 2004 and September of 2003 through December of 2003; and
- two administrators' principal certification lapsed for the periods July of 2004 to current and July of 2005 to current.

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**Finding No. 2 (Continued)**

Section 1202 of the Public School Code provides in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the Public School Code mandates any district that:

. . . has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio. . . .

Certification irregularities are not determined by the Department of the Auditor General. Information pertaining to the assignments and certificates was submitted to BTCP, DE, for determination. Subsequent to the completion of fieldwork for our audit, BTCP confirmed the irregularities; the district is therefore subject to subsidy forfeitures of \$11,802, detailed as follows:

<u>School Year</u>	<u>Subsidy Forfeitures</u>
2005-06	\$ 6,630
2004-05	3,979
2003-04	<u>1,193</u>
Total subsidy forfeitures	<u>\$11,802</u>

The failure of the administration to comply with the recommendations contained in our prior audit and lack of administrative oversight of staff certification caused the irregularities noted in this finding.

Recommendations

The superintendent should require the individuals cited in this finding to obtain proper certification or reassign them to positions for which they are properly certified.

DE should take action to recover the appropriate subsidy forfeitures.

FAIRFIELD AREA SCHOOL DISTRICT  
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**Finding No. 2 (Continued)**

Response of Management

At the time of fieldwork for our audit, management provided a written response agreeing with all the irregularities noted in the finding except for the citation of one of the individuals cited for a lapsed principal certificate. We had determined the certificate was in use for the individual's assignment as Coordinator of Curriculum and Special Programs; however, management stated:

[Individual] – Level II Supervisor of Special Education was used for certification of her position as Coordinator of Curriculum and Special Programs.

Auditor's Conclusion

As stated in the body of the finding, BTCP made its final determination regarding the validity of the assignment and certificates. BTCP stated that for the position cited, either principal or curriculum and instruction supervisor certification was required. Therefore, the finding will stand as written, and any further disagreement on the part of the district must be addressed to DE.

**Finding No. 3 – Insufficient Transportation Documentation Resulted in Questionable Transportation Reimbursements of \$1,276,341**

Our prior audit review of transportation data for the 2001-02, 2000-01, 1999-2000, and 1998-99 school years disclosed insufficient documentation for the four years of audit. In addition, district personnel did not follow instructions from DE for the calculation of mileage averages.

Insufficient documentation, and failure to follow DE instructions, resulted in the following:

- mileage data could not be confirmed;
- pupil data could not be confirmed;
- days transported could not be confirmed; and
- total miles transported could not be confirmed.

As a result, the transportation reimbursements of \$356,247, \$322,319, \$292,396, and \$305,379 for the 2001-02, 2000-01, 1999-2000 and 1998-99 school years, respectively, were questionable.

FAIRFIELD AREA SCHOOL DISTRICT  
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**Finding No. 3 (Continued)**

We recommended that district transportation personnel:

- review DE instructions, calculate miles with and without pupils in accordance with DE instructions, and retain odometer readings for all vehicles to support mileage data used in calculations;
- maintain pupil rosters that show how the number of students was calculated (e.g. include pupil counts). These pupil rosters must support the number of students transported used in district calculations and must be retained for all vehicles;
- maintain documentation to support the number of days each vehicle transports students; and
- maintain a file of beginning and ending odometer readings for each vehicle to support total miles.

The board, in its written response, agreed with the finding and restated management's response contained in the prior audit as follows:

FASD [Fairfield Area School District] does agree that there were not odometer readings done every single month for every bus. FASD has already had a transportation meeting with the contractors and has informed them that the odometer readings will be done monthly starting with the 2003-04 school year. When these audit sheets are handed in, FASD is requiring that the number of days spare buses were used also be reported.

FASD has pupil rosters for each bus that operates within the district. When there is a change in the roster, it is noted in our database. It should also be noted that because this district is so small, numerous changes would have to be made on a single bus route to show a significant increase or decrease in the mileage. There is also a school calendar in the transportation folders for each year that verifies the number of days the students have school and need to be transported. There were no significant changes in the bus routes, but there were numerous days when spare buses had to be used. With a closer inspection of the data, one can see that when the number of days that the spare buses ran is added to the number of days the regular buses ran, it equals the total amount of days students had to be transported to school. However, the district will maintain hard copies of this information in a format that provides greater efficiency in obtaining the desired data.

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**Finding No. 3 (Continued)**

Based on the results of our current audit, we concluded that, beginning with the 2003-04 school year, district personnel did calculate mileage with and without pupils in accordance with DE instructions, and retained odometer readings for all vehicles to support mileage data used in calculations. However, we also concluded that district personnel did not take appropriate corrective action to correct the other portions of this finding. As a result, our review of transportation data for the 2003-04 and 2002-03 school years again disclosed insufficient documentation to support data reported to DE, as follows:

- pupil data could not be confirmed; and
- days transported could not be confirmed.

Consequently, the transportation reimbursements of \$337,517 and \$352,419 for the 2003-04 and 2002-03 school years, respectively, are questionable.

Pupil Data

DE end-of-year reporting instructions state “the LEA must maintain records of the greatest Number of Pupils Assigned to ride at any one time for each vehicle.”

Pupil rosters were maintained but did not include pupil counts. Our audit disclosed differences between the number of students listed and the totals listed at the bottom of the roster. In addition, the pupil rosters showed deductions from a beginning pupil count, but there was no explanation for these deductions or documentation to support these deductions. Due to a changeover of personnel, the current transportation coordinator was unable to explain these deductions or how the data had been derived. Also, no documentation was maintained to show district calculations of pupil averages and we could not obtain the same averages that were reported using the numbers shown on the pupil rosters. As a result of these issues, pupil data could not be verified.

Days Transported

District personnel could not provide documentation to support how the number of days each vehicle provided transportation was calculated for one transportation contractor.

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**Finding No. 3 (Continued)**

Recommendations

District transportation personnel should:

- maintain pupil rosters that include pupil counts to show how the number of students was calculated and include explanations for any adjustments. These pupil rosters must support the number of students transported used in district calculations and district calculations must be retained for all vehicles; and
- maintain documentation to support the number of days each vehicle transports students.

Response of Management

Management provided the following response, disagreeing with the finding:

The FASD does not agree with the above stated finding. Actions taken since the last State Audit in 2003, will indicate that odometer readings and pupil rosters are submitted by the bus contractors and transportation personnel each month prior to contractor payment. However, the District does agree that pupil calculations and sufficient explanation of the calculations have not been documented by District personnel. Personnel responsible for data during this audit period have retired and are unavailable to provide assistance.

The District will ensure that all pupil total counts are clearly explained and enumerated and submitted on a monthly basis prior to contractor payment.

Auditor's Conclusion

As stated in the finding, we agree that odometer readings and pupil rosters were available. However, the problem arises from the lack of documentation as to how the pupil data and number of days transported were calculated, as acknowledged and agreed to by district personnel. Therefore, the finding will stand as written.

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**Finding No. 4 – Student Activity Fund Controls Require Improvement**

Our review of the student activity fund (SAF) operations for the 2001-02 school year disclosed that district personnel had not adequately controlled the fund operation, which resulted in:

- improper inclusion of athletic funds within the SAF;
- operation of seven administratively controlled accounts;
- failure to ensure student related accounts were properly organized;
- improper operation of an interest holding account; and
- failure to obtain quotes or bids for an SAF purchase.

We recommended that the district administration:

- review SAF accounts and determine the appropriate action for the two athletic fund accounts, and the seven administratively controlled accounts;
- ensure student related accounts are properly organized;
- obtain proper approval from students before expending funds for administrative items such as adding machines, deposit bags, etc.;
- allocate interest to the appropriate accounts as noted in the Administrative Procedures for Board Policy No. 8030 governing SAF, Section 8030.9; and
- obtain quotes and bids as required by the Public School Code for applicable SAF purchases.

FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**Finding No. 4 (Continued)**

The board, in its written response, agreed with the finding and restated management's response contained in the prior audit, as follows:

During the audit period the school district maintained adequate control of the student activity funds in the following manner. Board policies addressed bid requirements, appropriations, participation and the creation and closing of student activity groups. Faculty and advisors were appointed for each group and the building principal had supervisory authority of all student activity accounts. Written administrative procedures address the control of monies and deposits. The group's advisor and officer verified deposits. All money must have been deposited in the bank during the day or via the night deposit process. All expenditures were required to have the advisor's signature and principal's signature. A purchase order was prepared and approved by a school administrator based on this approval. All checks were required to have two signatures. As of April 23, 2003, a new board policy has been approved. This policy incorporates the legislative changes to the [Public School Code Sections] 24 PS 5-511 and 24 PS 8-807. The policy also incorporates language to ensure that funds are not used for such things as school sponsored parent events or collecting school picture commissions. Students must authorize all expenditures. Furthermore, the policy establishes a written process to create and dissolve a student activity group and details the disposition of unused funds.

The following modifications will be made to the student activity funds: Each club will develop by-laws, elect officers and record meeting minutes no later than October 30, 2003 or the club will not be permitted to function. A special revenue fund will be created for athletics. All proceeds from football gate receipts will be deposited into this account and all biddy ball operations and referee payments will be made from this account. Interest earnings will be prorated and deposited to each student activity. The building student activity account will be closed and all monies transferred to the student council for that building. The [administratively controlled] Roselle Award account is currently being processed for closing.

FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**Finding No. 4 (Continued)**

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding. As of June 30, 2004, the following had occurred:

- athletic funds that had been included within the SAF had been moved to the athletic fund;
- operation of seven administratively controlled accounts had been closed or moved out of the student activity fund account into proper accounts;
- student related accounts were properly organized with student officers and by-laws;
- the district obtained student approval in the by-laws for expending funds for administrative items such as adding machines, deposit bags, etc. from the interest earned on the SAF;
- interest remaining after the deduction of the administrative expenditures was deducted from the interest account and was distributed to the various student activity fund accounts; and
- there were no SAF purchases noted for which the district was required to obtain quotes or bids.



FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

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

**Schedule of State Revenue Received**

The district reported it received state revenue of \$4,158,188 and \$3,767,455, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

	<u>2004</u>	<u>2003</u>
<b>STATE REVENUE</b>		
Basic Education	\$2,507,196	\$2,361,157
Charter Schools	11,900	13,591
School Performance Incentives	-	10,224
Tuition for Orphans and Children Placed in Private Homes	10,425	23,368
Homebound Instruction	262	-
Vocational Education	41,060	52,390
Special Education	538,574	513,523
Transportation	368,712	372,047
Rental and Sinking Fund Payments	297,814	138,293
Health Services	26,744	24,334
Sewage Treatment Operations	-	3,880
Social Security and Medicare Taxes	222,409	220,610
Retirement	<u>133,092</u>	<u>34,038</u>
<b><u>TOTAL STATE REVENUE</u></b>	<b><u>\$4,158,188</u></b>	<b><u>\$3,767,455</u></b>

FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

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

*Description of State Revenue Received per the 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.

Special Education

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

FAIRFIELD AREA SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

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

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 Act 25 health services.

Sewage Treatment Operations

Revenue received from the Commonwealth via the Department of Environmental Protection as subsidy for the annual operation costs of a sewage treatment plant. Payments are made in accordance with Act 339 of 1953.

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.



BUREAU OF SCHOOL AUDITS  
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BUREAU OF SCHOOL AUDITS

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