



**FORT LEOEUF SCHOOL DISTRICT
ERIE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

SEPTEMBER 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. Bruce Hordusky, Board President
Fort LeBoeuf School District
P.O. Box 810
Waterford, Pennsylvania 16441

Dear Governor Corbett and Mr. Hordusky:

We conducted a performance audit of the Fort LeBoeuf School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 8, 2011 through March 29, 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, 2012 and June 30, 2011. 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 applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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

September 6, 2013

cc: **FORT LEOEUF 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 Fort LeBoeuf 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 April 8, 2011 through March 29, 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 2011-12 and 2010-11 school years.

District Background

The District encompasses approximately 112 square miles. According to 2010 federal census data, it serves a resident population of 14,150. According to District officials, the District provided basic educational services to 2,127 pupils through the employment of 166 teachers, 125 full-time and part-time support personnel, and 20 administrators during the 2011-12 school year. Lastly, the District received \$10.9 million 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 applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance related matter reported as finding.

Finding: Failure to Have All School Bus Drivers' Qualifications on File. Our audit of the Fort LeBoeuf School District's (District) bus drivers' qualifications for the 2012-13 school year found that the District did not have all of the correct records on file at the time of the audit (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Fort LeBoeuf School District (District) from an audit released on July 5, 2011, we found that the District has not taken appropriate corrective action in implementing our recommendations pertaining to bus driver qualifications (see page 8).

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 April 8, 2011 through March 29, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through March 14, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 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. tuition for orphans and children placed in private homes), 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?
- ✓ 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 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

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with applicable laws, contracts, grant requirements, and administrative procedures.

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures 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 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 in the status of our audit recommendations made in a prior audit report released on July 5, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

Criteria relevant to the finding:

Pennsylvania Department of Transportation bus driver regulations require the possession of a valid driver's license and passing a physical examination.

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 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 have contact with children, and make determination regarding the fitness of the individual to 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 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 All School Bus Drivers' Qualifications on File

Our audit of the Fort LeBoeuf School District's (District) bus drivers' qualifications for the 2012-13 school year found that the District did not have all of the correct records on file at the time of the audit.

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

We reviewed the personnel records of 15 of the 45 bus drivers currently employed by the District. The drivers were selected using a random number generator.

Our review found that one bus driver did not have the correct federal criminal history record on file. This driver had a fingerprint clearance done by the Pennsylvania Department of Welfare (DPW) but not the required clearance by the Pennsylvania Department of Education (PDE). The DPW's clearance only looks for abuse violations and not criminal violations.

This is an ongoing weakness for the District. In our prior audit of the District, we issued a finding regarding bus driver qualifications, and the District stated that it reviewed their policies and procedures with staff and stressed the importance of not accepting clearances issued by DPW. However, during our current audit test work we found that the transportation supervisor was unaware that this driver did not have the proper clearance and she informed the auditor that she does not always see the clearances, because they are obtained by the District's administrative office. District personnel also stated that this driver will be required to obtain the correct federal criminal history clearance.

On March 27, 2013, the District provided the auditor with the appropriate clearance that showed no concerns that would question the driver's suitability in having contact with the students of the District.

*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 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 is a founded report for school employee.

Regarding the maintenance of documentation, Section 111(7)(b) of the PSC, 24 P.S. § 1-111(7)(b), provides, in part:

“Administrators shall maintain a copy of the required information and shall require each applicant to produce the original document prior to employment . . .”

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

Additionally, during our review, we noted that the spelling of the last name of one of the substitute drivers’ child abuse clearance and federal criminal history record did not match their social security card and their commercial drivers’ license.

Had the District performed a thorough review of the driver’s credentials they would have noted this difference and would have required the driver to obtain corrected documents prior to being approved as a substitute driver.

The District required the driver to obtain corrected clearances. On April 17, 2013, documents showing the driver’s corrected name were provided to the auditor. The federal criminal history report showed one arrest from over thirty years ago that is not on the list that would call into question the driver’s suitability for having contact with the District’s children.

It is the responsibility of District management to have internal policies and procedures in place to ensure that all employees or contracted employees who have contact with children have the proper qualifications documents. By not having required bus drivers’ qualifications documents on file, the District was not able to determine whether all drivers were qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

Recommendations

The Fort LeBoeuf School District should:

1. Ensure that all future federal criminal record checks are done in accordance with the prescribed method of PDE.
2. Ensure that the District’s transportation supervisor reviews each driver’s qualifications prior to that person transporting students.
3. Ensure the bus driver’s personnel files are kept up-to-date and the proper clearances are obtained.

Management Response

Management stated the following:

“The Fort LeBoeuf School District recognizes the importance of maintaining proper bus driver qualifications on file and acknowledges that public schools are required to review the federal criminal background checks of its employees in order to make the determination that the individual may perform work in which they have direct contact with students.

Although the District required that the FBI clearance for the Pennsylvania Department of Education be maintained as one of the qualifications on file, district personnel responsible for collecting and reviewing the clearances inadvertently accepted an FBI clearance from the Pennsylvania Department of Welfare. Additionally, during the audit it was noted that the spelling of the last name of one bus driver differed from the spelling that appeared on the driver’s license and social security card.

Since this time, the correct clearance from the Pennsylvania Department of Education was obtained for the driver with the Pennsylvania Department of Welfare clearance and replacement clearances with the correct spelling of the last name were received from the other driver. Effective immediately, the District will more thoroughly review the credentials and require and accept only federal criminal background checks from the Pennsylvania Department of Education as required by Section 111 of the Public School Code.”

Auditor Conclusion

While we are pleased that the District was able to correct the deficient drivers’ files, we must stress the importance of having internal controls in place to identify such deficiencies prior to an employee or contracted employee having contact with children. We are troubled that the District continues to struggle to meet the requirements of the state statutes and regulations regarding contact with children. We will examine the District’s compliance again in our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Fort LeBoeuf School District (District) released on July 5, 2011, resulted in one reported finding in the area of bus driver 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 questioned District personnel regarding the prior finding. As shown below, we found that the District did not implement our recommendations related to the finding.

Auditor General Performance Audit Report Released on July 5, 2011

Finding: **Failure to Have All School Bus Drivers' Qualifications on File**

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

Recommendations: Our audit finding recommended that the District:

1. Ensure that all future federal criminal record checks are done in accordance with the prescribed method of the Pennsylvania Department of Education.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.

Current Status: During our current audit, we found that the District did not implement the recommendations as noted in the repeat finding in our current report (see Finding on page 5).

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 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.

