



**GIRARD SCHOOL DISTRICT
ERIE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

OCTOBER 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

Ms. Kelly Weidler, Board President
Girard School District
1203 Lake Street
Girard, Pennsylvania 16417

Dear Governor Corbett and Ms. Weidler:

We conducted a performance audit of the Girard School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period June 28, 2011 through March 27, 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 relevant requirements, 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 cursive script, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

October 16, 2013

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

Our audit scope covered the period June 28, 2011 through March 27, 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 2011-12 and 2010-11 school years.

District Background

The District encompasses approximately 36 square miles. According to 2010 federal census data, it serves a resident population of 11,231. According to District officials, the District provided basic educational services to 1,887 pupils through the employment of 138 teachers, 94 full-time and part-time support personnel, and 16 administrators during the 2011-12 school year. Lastly, the District received \$12.1 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance related matter reported as a finding.

Finding: Failure to Have Adequate Internal Controls for Contracted Bus Drivers. Our audit of the Girard School District's (District) school bus drivers' qualifications for the 2011-12 school year found a lack of documentation needed to verify that all of the District's contracted bus driver's possessed the minimum required qualifications for employment. These deficiencies were the result of staffing changes at the District, which resulted in the breakdown of established internal controls (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Girard School District (District) from an audit released on November 9, 2011, we found that the District had begun to implement corrective actions to address our previous findings related to a failure to bill for tuition timely (see page 8) and the District's School Board of Directors' failure to properly oversee its student activity funds (see page 9). However, these changes were not made until the 2012-13 school year, so further action will be required during the next regularly scheduled audit (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 June 28, 2011 through March 27, 2013, except for the verification of professional employee certification which was performed for the period April 1, 2011 through March 5, 2013.

Regarding state subsidies and reimbursements, our audit covered 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District 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 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 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?

Methodology

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the

What are internal controls?

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

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal 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 November 9, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Failure to Have Adequate Internal Controls for Contracted Bus Drivers

Criteria relevant to the finding:

Section 111 of the Public School Code (PSC), 24 P.S. § 1-111 (Act 34 of 1985, as amended), requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Additionally, as of April 7, 2007, under Act 114 of 2006, as amended (see 24 P.S. § 1-111 (c.1), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have contract with children, and make a determination regarding the fitness of the individual to have contact with the 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.

Our audit of the Girard School District's (District) school bus drivers' qualifications for the 2011-12 school year found a lack of documentation needed to verify that all of the District's contracted bus driver's possessed the minimum required qualifications for employment. These deficiencies were the result of staffing changes at the District, which resulted in the breakdown of established internal controls.

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

We reviewed the personnel records of six newly hired bus drivers employed by the District's pupil transportation contractors. Our audit found that the District did not have all of the required documentation on file. The results were as follows:

- One driver did not have the required "S" endorsement on his/her driver's license. After we brought this issue to the attention of District personnel they contacted the contractor and learned that the driver was not even a District driver. Consequently, District personnel should not have submitted the driver's name to the District's Board of School Directors (Board) for approval. The District's failure to notice the missing "S" endorsement was attributed to an internal control breakdown in which staff did not appropriately review the driver's documentation with District administrators prior to submitting it to the Board for approval.
- Three drivers did not have a federal criminal history records (FBI clearance) on file. District personnel attributed this failure to a misunderstanding regarding whether regulations permitted the District to maintain a physical copy of the FBI report on file or whether it was limited to a documented acknowledgment that the FBI clearance had been viewed. District personnel

Similarly, Section 6355 of the Child Protective Services Law (CPSL) known as Act 151, requires prospective school employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

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

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

District Board Policy #810, reads:

“A school bus driver shall not be employed until she/he has complied with the mandatory background check requirements for criminal history and child abuse and the contractor and the district have evaluated the results of that screening process.”

subsequently addressed this issue and all FBI clearances are now included in drivers files.

- Four drivers had Pennsylvania child abuse clearances on file that were dated after the Board had approved them to transport District students.
- The District’s Board policy states that the personnel must evaluate the clearances prior to the bus driver being employed. However, the District did not have policies and procedures in place to ensure that the drivers did not transport students until District personnel had reviewed their clearances.

By not having a thorough process for reviewing and maintaining the required bus drivers’ credentials, the District was unable to provide full assurance that the 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 *Girard School District* should:

1. Ensure that District’s personnel are familiar with Pennsylvania school bus driver’s requirements.
2. Establish procedures to ensure that contractor recommended drivers’ credentials are reviewed

prior to Board approval to ensure completeness and appropriateness.

3. Establish policies and procedures to ensure that the contractor does not allow any bus driver to transport students prior to obtaining all required credentials and providing a copy to the District for review and Board approval.

Management Response

“Corrective action has been or is being implemented.”

Auditor Conclusion

We commend the District for taking steps to address the internal control deficiencies with regard to its bus driver process. We will evaluate the new internal controls during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Girard School District (District) released on November 9, 2011, resulted in two findings. The first finding pertained to tuition not being billed timely, and the second finding pertained to the Board of School Directors (Board) failing to properly govern student activity funds. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and questioned District personnel regarding the prior findings. As shown below, we found that the District had begun to implement corrective actions to address our previous findings. However, these changes were not made until the 2012-13 school year, so further will be required during the next regularly scheduled audit.

Auditor General Performance Audit Report Released on November 9, 2011

Finding No. 1: Tuition Not Billed Timely

Finding Summary: Our prior audit found that for the 2009-10 school year tuition billings of \$86,575 were sent to one neighboring school district in August of 2010, a full year later than provided for in the Public School Code (PSC). Also, as of June 28, 2011, the District had not billed for tuition owed to them for the 2009-10 school year.

Recommendations: Our audit finding recommended that the District:

1. Require District administrators to adhere to the mandates of the PSC.
2. Remit billings for the 2009-10 school year immediately.
3. At the end of the 2010-11 school year, remit billing in accordance with the PSC.

Current Status: During our current audit, we found that the District did not implement corrective action to rectify our 2009-10 school year finding in the 2010-11 or 2011-12 school years, but did implement corrective action in the 2012-13 school year.

Beginning in the 2012-13 school year, an administrative team consisting of the Director of Business, the Curriculum Director, the Technology Director, and both the retiring and the new Special Education Supervisor are working together to ensure that membership reports are available within 30 days after the end of the school year for appropriate administrative usage. This process not only provides the District with more timely tuition invoicing, but also allows it to receive its funds more

quickly. Based on the newness of this process, we will again review its effectiveness during our next regularly scheduled audit.

Finding No. 2: Board Fails to Properly Govern Student Activity Funds

Finding Summary: Our prior audit of the District's 2009-10 student activity fund practices found continued deficiencies in the operation of student activity funds.

Recommendations: Our audit finding recommended that the District:

1. Adhere to Board Policy #618 and Section 511 of the PSC.
2. Require student participation on all disbursement vouchers that are processed through the activity funds.
3. Discontinue commingling of general and agency fund monies with student activity fund monies.
4. Abolish all inactive and improper accounts.
5. Discontinue the practice of allowing accounts to operate with deficit balances.
6. Ensure accounts are approved by the Board.
7. Obtain the Pennsylvania Association of School Business Official Administrator's Guide to the Development of Effective Student Activities Fund Policies and Procedures for guidance, and distribute this guide to appropriate personnel.

Current Status: During our current audit, we found that the District did not implement corrective action to rectify our 2009-10 school year finding in either the 2010-11 or 2011-12 school years, but did implement corrective action in the 2012-13 school year.

Beginning in the 2012-13 school year the District established the following goal: "the goal is to establish specific procedures that will be followed by District building office personnel relative to the student activity fund. Action steps will be written and meetings held to review these new procedures. Evidence of completion will be a state audit review with no findings within the student activity funds." This goal was established by the District's administrative team as an "on-going" process to improve District operations.

Based on the newness of this process, we will review its effectiveness during our next regularly scheduled audit.

Distribution List

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

The Honorable Tom Corbett
Governor
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Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
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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 Communication, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.