

# PERFORMANCE AUDIT

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## Moon Area School District Allegheny County, Pennsylvania

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February 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Donna K. Milanovich, Superintendent  
Moon Area School District  
8353 University Boulevard  
Moon Township, Pennsylvania 15108

Mr. Jerry Testa, Board President  
Moon Area School District  
8353 University Boulevard  
Moon Township, Pennsylvania 15108

Dear Dr. Milanovich and Mr. Testa:

Our performance audit of the Moon Area School District (District) evaluated the application of best practices in the areas of finance, governance, safety, and contracts. In addition, we evaluated the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2012, through June 30, 2015, except as otherwise indicated in the audit scope, objective, and methodology section of the report. The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403) and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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.

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our six findings. A summary of the results is presented in the Executive Summary section of the audit report. These findings include recommendations for the District.

Our audit findings 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 relevant requirements. We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

February 14, 2017

cc: **MOON AREA SCHOOL DISTRICT** Board of School Directors

## Table of Contents

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	Page
Executive Summary .....	1
Background Information .....	3
Findings .....	7
Finding No. 1 - Lax Board Oversight of an Unaccountable Superintendent Contributed to Waste and Misuse of Public Funds .....	7
Finding No. 2 - The District Allowed Employees to Use Procurement Cards Without Adequate Oversight and in Violation of Board Policies .....	16
Finding No. 3 - A Superintendent Organized and Managed a Rugby Club with No Board Oversight, Risking the Safety of Student Participants .....	23
Finding No. 4 - The District Failed to Properly Procure and Monitor Several Contracts .....	31
Finding No. 5 - The District Failed to Monitor a \$26 Million Construction Contract, Which Led to Unsubstantiated Costs and Possible Safety Risks .....	37
Finding No. 6 - The District Failed to Ensure School Bus Drivers Met All Employment Requirements .....	47
Status of Prior Audit Findings and Observations .....	51
Appendix: Audit Scope, Objectives, and Methodology .....	52
Distribution List .....	56

## Executive Summary

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the District. Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2012, through June 30, 2015, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. (See Appendix)

### **Audit Conclusion and Results**

Our audit found significant instances of failing to apply best practices and noncompliance with certain relevant state laws, regulations, contracts, and administrative procedures, as detailed in the six audit findings within this report.

**Finding No. 1: Lax Board Oversight of an Unaccountable Superintendent Contributed to Waste and Misuse of Public Funds.** The District's Board of School Directors (Board) frequently exercised lax oversight of the former Superintendent, who disregarded the Public School Code (PSC) and board policies. We found numerous improper actions by the former Superintendent occurred during the 2013-14 through 2015-16 school years, which largely went unchecked by the Board. (See page 7).

**Finding No. 2: The District Allowed Employees to Use Procurement Cards Without Adequate Oversight and in Violation of Board Policies.** During the 2012-13 through the 2014-15 fiscal years, we found that 21 District administrators and support staff purchased a total of \$348,727 in goods and services with District procurement cards. Although the District had board-approved policies governing the use of procurement cards, it did not ensure that those policies were followed. For example, we found that the Board had never actually approved any list of card holders and was not aware of the number of procurement cards in use. We also found that the Board was not aware of the number and dollar amount of purchases made using the cards until we brought this information to the attention of the Board President. (See page 16).

**Finding No. 3: A Superintendent Organized and Managed a Rugby Club with No Board Oversight, Risking the Safety of Student Participants.** A former Superintendent organized and managed a rugby club that did not have Board approval, as required by the PSC. During the 2013-14 through the 2015-16 school years, the Board failed to require any accountability of the former Superintendent's operation of the rugby club including his authorization of payment for the club's expenses. More important, the Board and its Superintendent failed to ensure students' safety in a school activity—an activity known for the intense physical nature of the sport and the injuries that can occur in matches. (See page 23).

**Finding No. 4: The District Failed to Properly Procure and Monitor Several Contracts.** We found the Board and its former Superintendent both failed in their governance duties related to the procurement and monitoring of several contracts. The failure by the District's leadership to comply with the PSC and board policies resulted in excessive costs, potential safety risks, duplicate contracted services, and potential waste of public funds that could have been used for the education of District students. (See page 31).

**Finding No. 5: The District Failed to Monitor a \$26 Million Construction Contract, Which Led to Unsubstantiated Costs and Possible Safety Risks.** The District's Board and former Superintendent failed to oversee a major construction project involving the renovation of three elementary schools during the 2013-14 through the 2015-16 school years. The District failed to hold the architect and contractors accountable as required by its own board policies and the terms of the construction contract. The District improperly paid nearly \$900,000 in change orders lacking sufficient documentation of the cost of labor and materials, and then the Board *belatedly* approved these payments despite the lack of documentation. The District also failed to ensure the construction work was sufficiently completed *before* it had paid 95 percent of the \$26 million contract price. (See page 37).

**Finding No. 6: The District Failed to Ensure School Bus Drivers Met All Employment Requirements.** We found that the District did not ensure all bus drivers had the required credentials and criminal history clearances *before* they transported students at the beginning of the school year. We found that the District relied on the contractor to obtain licenses and clearances and to provide that documentation to the District. However, once the District received the documentation, it did not review it for completeness and did not verify that each of the contractor's drivers met the requirements to transport District students. (See page 47).

**Status of Prior Audit Findings and Observations.** There were no findings or observations in our prior audit report.

## Background Information

School Characteristics 2014-15 School Year <sup>A</sup>	
County	Allegheny
Total Square Miles	26.05
Resident Population <sup>B</sup>	26,825
Number of School Buildings <sup>C</sup>	7
Total Teachers	321
Total Full or Part-Time Support Staff	172
Total Administrators	24
Total Enrollment for Most Recent School Year	3,709
Intermediate Unit Number	IU 3
District Vo-Tech School	Parkway West

A - Source: Information provided by the District administration and is unaudited.

B - Source: United States Census  
<http://www.census.gov/2010census>

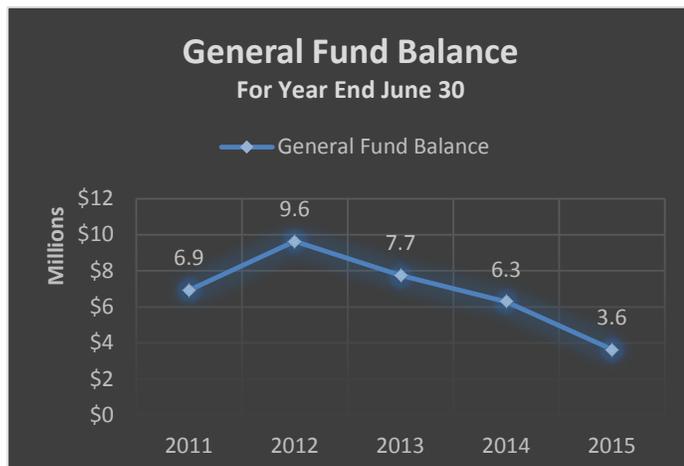
C - The Moon Area School District has seven buildings. The testing classifications list the lower middle school and the upper middle school to breakout elementary grades 5-6 and secondary grades 7-8.

## Mission Statement<sup>A</sup>

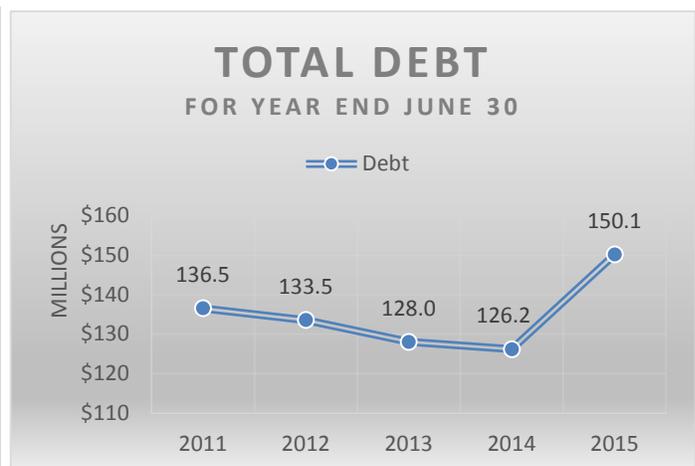
Moon Area School District, in partnership with the community, is dedicated to educating every individual in a respectful, safe, enriching environment through comprehensive programs that inspire excellence, lifelong learning and responsibility.

## Financial Information

The following pages contain financial information about the District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

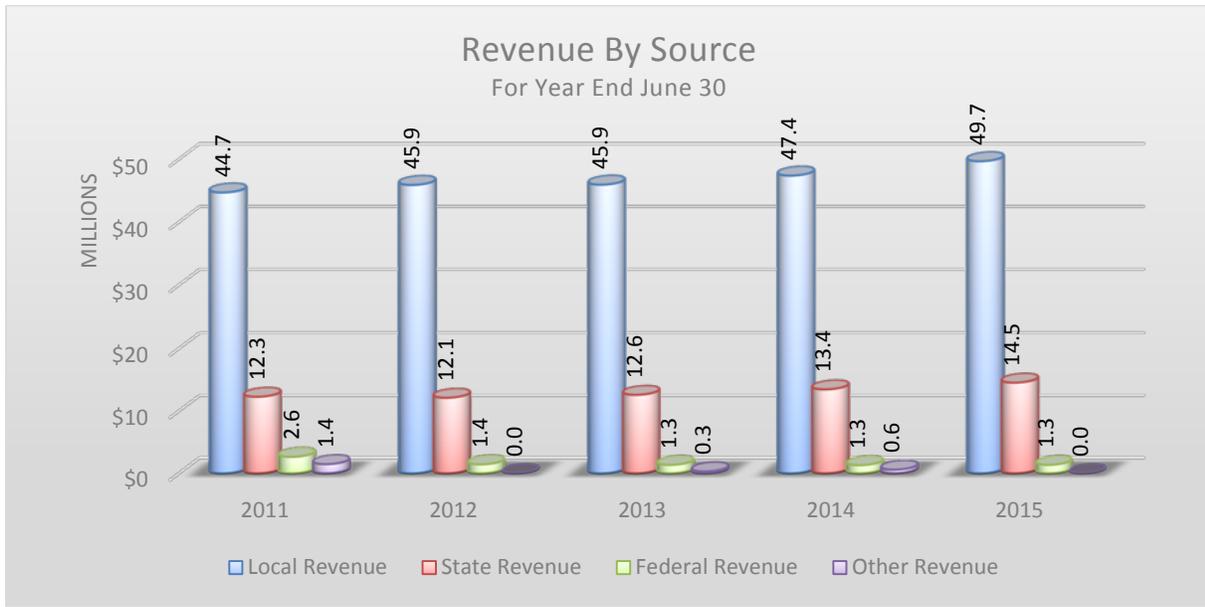
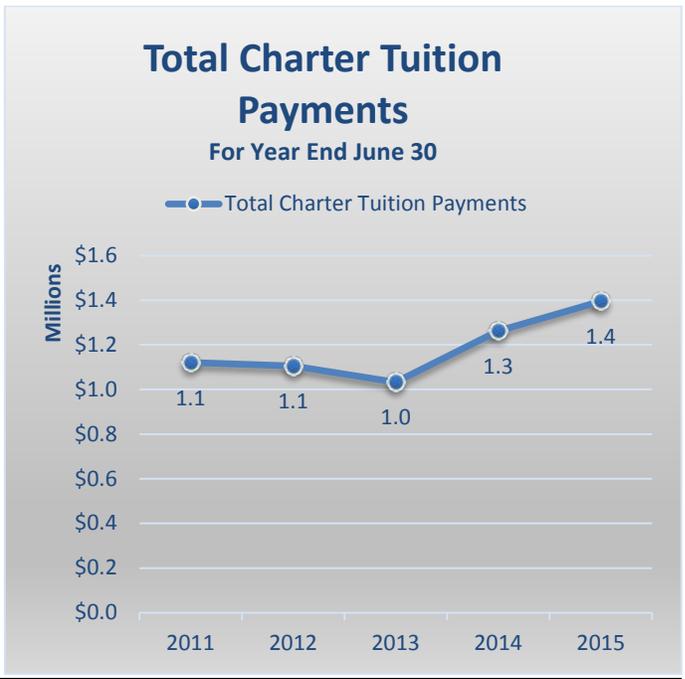
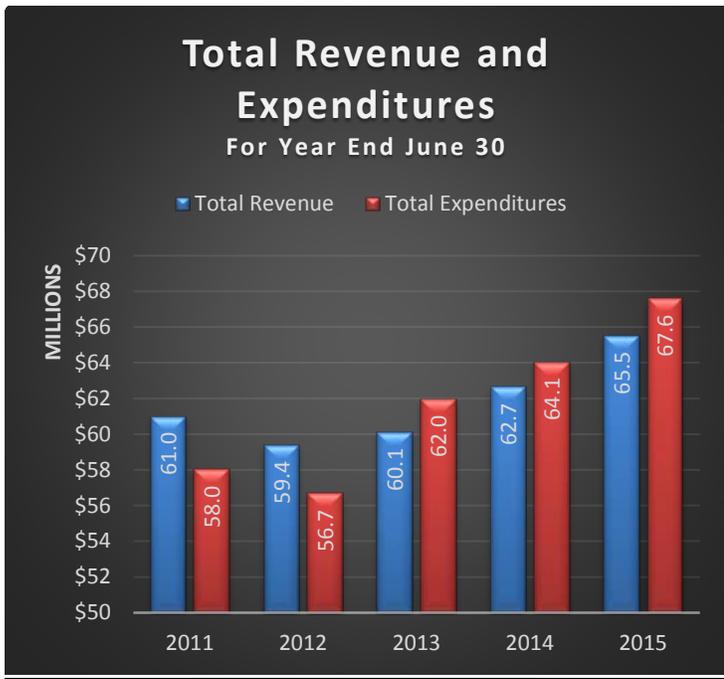


**Note:** General Fund Balance is comprised of the District's Committed, Assigned and Unassigned Fund Balances.



**Note:** Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits and Compensated Absences.

## Financial Information Continued



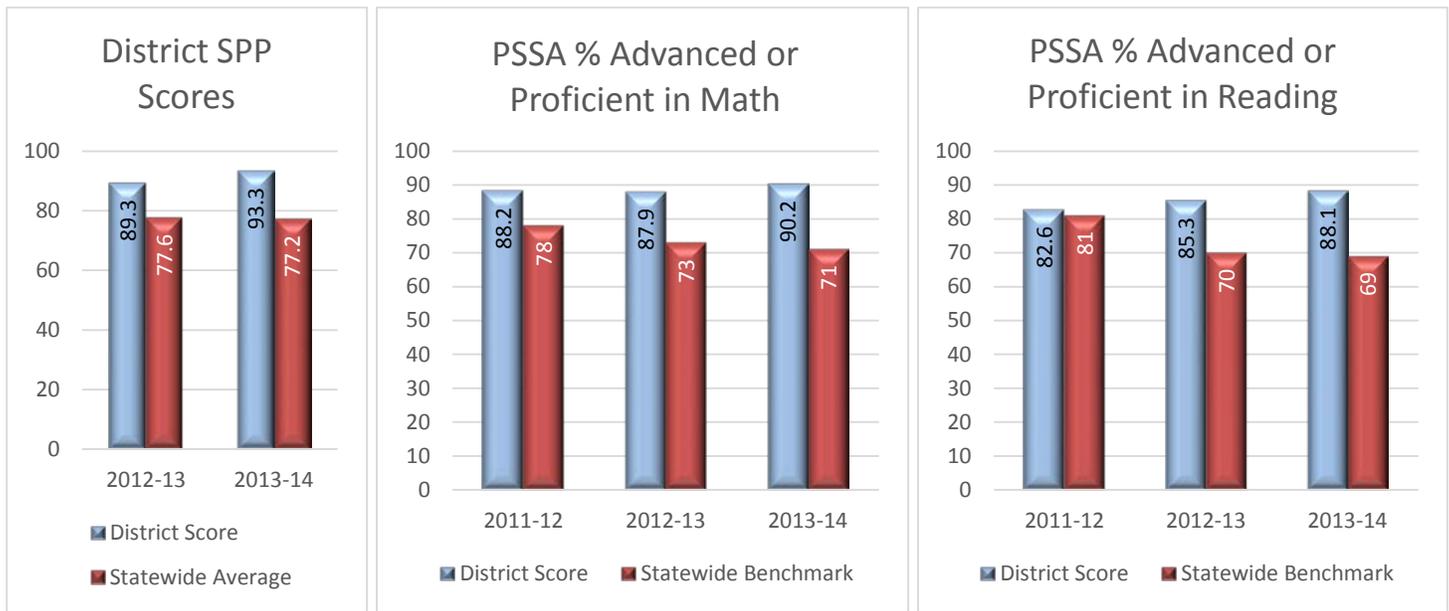
## Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE’s data files.<sup>1</sup> These scores are presented in the District’s audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.<sup>2</sup> PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.<sup>3</sup> District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

### Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Moon Area SD</i>	89.3	93.3	88.2	87.9	90.2	82.6	85.3	88.1
<i>SPP Grade<sup>4</sup></i>	<b>B</b>	<b>A</b>						



<sup>1</sup> PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE’s publicly available website.

<sup>2</sup> Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

<sup>3</sup> PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

<sup>4</sup> The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

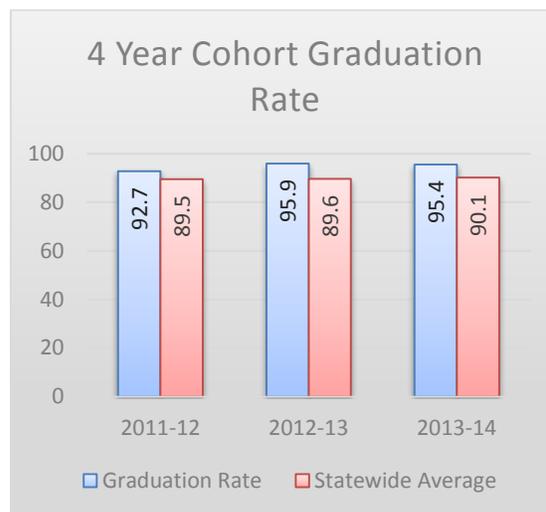
## Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District's school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.<sup>5</sup>

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<b>Statewide Benchmark</b>	<b>77.6</b>	<b>77.2</b>	<b>78</b>	<b>73</b>	<b>71</b>	<b>81</b>	<b>70</b>	<b>69</b>
<i>Allard Elementary School</i>	96.1	99.0	91.8	93.4	94.1	82.7	90.8	89.7
<i>Bon Meade Elementary School</i>	89.4	90.9	92.2	90.2	92.8	84.5	85.6	86.2
<i>Hyde Elementary School</i>	72.7	82.7	80.9	78.6	85.3	75.0	73.8	85.3
<i>J H Brooks School</i>	90.2	97.6	92.8	91.3	92.4	85.6	82.6	89.2
<i>McCormick Elementary School</i>	93.5	97.3	95.2	95.9	98.7	87.3	91.9	92.3
<i>Moon Area Lower Middle School</i>	82.5	87.4		83.2	83.2		75.8	78.6
<i>Moon Area Upper Middle School</i>	93.6	93.4		84.6	87.1		86.2	88.1
<i>Moon Senior High School</i>	96.3	98.4	76.0	86.0	88.4	80.5	95.7	95.5

## 4 Year Cohort Graduation Rates

The cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year.<sup>6</sup>



<sup>5</sup> PDE's data does not provide any further information regarding the reason a score was not published.

<sup>6</sup> <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx>

## Findings

### Finding No. 1

### Lax Board Oversight of an Unaccountable Superintendent Contributed to Waste and Misuse of Public Funds

#### *Criteria relevant to the finding:*

**Section 609 of the PSC**, 24 P.S. § 6-609, states, in part, that: “. . . No work shall be hired to be done, no materials purchased, and no contracts made by any board of school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded.”

**Section 508 of the PSC**, 24 P.S. § 5-508, states, in part, that: “The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted shall be required in order to take action on the following subjects:--\*\*\*[e]ntering into contracts of any kind . . . where the amount exceeds one hundred dollars (\$100).”

**Section 1004 of the PSC**, 24 P.S. § 10-1004, states, in part, that: “Every person elected or appointed as . . . district superintendent shall, before entering upon the duties of his office, subscribe to and take . . . the same oath or affirmation as has herein been prescribed to be taken by persons elected to the office of school director. . . .”

**District Board Policy #002** entitled “Authority and Powers” adopted June 10, 2013, states, in part: “The Board has been given the necessary authority and is empowered by the School Laws of Pennsylvania to establish, maintain, and govern a thorough and efficient system of education . . .”

The District’s Board frequently exercised lax oversight of the former Superintendent, who disregarded the PSC and board policies. During the 2013-14 through 2015-16 school years, we found the following improper actions by the former Superintendent, which largely went unchecked by the Board:

- Extension of the District’s winter break for the 2015-16 school year, which is estimated to have cost approximately \$450,000 in additional leave benefits.
- Allocation of four additional Act 80 days in a modified calendar for the 2015-16 school year, which exceeded the one-day allotment set forth in the teachers’ contract.
- Failure to transparently account to the Board for additional costs resulting from the reorganization of administrative staff, which exceeded \$235,000 in the first year of the reorganization.
- Failure to report his own vacation or personal days, resulting in being paid for days when he did not work, which is estimated to have cost approximately \$6,000.
- Improper hiring of attorneys to address a legal matter with a local public transportation agency, which resulted in possible duplicative or wasteful legal costs of more than \$45,000.
- Unilateral initiation of legal action resulting in unauthorized and duplicative legal costs of more than \$42,000.

Each action highlighted above is discussed further in each of the following sections of this finding.

*Criteria relevant to the finding  
(continued):*

**District Board Policy #302** entitled “Employment of Superintendent” adopted October 10, 2000, revised November 14, 2011, states, in part: “Every person elected or appointed as Superintendent shall . . . subscribe to and take an oath “that I will discharge the duties of my office with fidelity.” “The Superintendent shall be reimbursed for those expenses as established by the Board at the time of employment . . .”

Additionally, “The Superintendent shall be the chief administrator officer in the school district, responsible to the board for the total education program for citizens of the district.”

**District Board Policy #803** entitled “School year/School Calendar” adopted October 10, 2000, states, in part: “The Board shall determine annually the days and the hours when the schools shall be in session. . . . The Board shall adopt a school calendar for the succeeding school terms at or before the regular meeting of each year. Changes may occur in such school calendar as determined by the Board. The calendar shall be discussed and developed by the administration . . . prior to its final adoption by the Board of School Directors. The Board recognizes that the preparation of a calendar is necessary for the efficient operation of the District.”

### **Costly Modification of the District’s Winter Break**

Historically, the District’s winter break for different classifications of employees ranged between three days for administrative support staff, five days for administrative staff, and seven days for teachers. The former Superintendent, with the approval of the Board, altered the school calendar for the 2015-16 school year to extend that break to two full weeks or ten school days of paid holiday for everyone. While the former Superintendent did not inform the Board that these changes failed to meet the terms of the teachers’ contract, the Board itself should have been aware of the terms of this contract or at least inquired about them.

Neither the Board nor its former Superintendent appropriately and publicly reviewed the cost of this decision, particularly the additional benefit costs. Administrative support staff received an additional seven days of paid leave, administrative staff an additional five days of paid leave, and teachers an additional three days. According to a forensic audit report issued by an accounting firm hired by the District, the additional benefit time for these employees cost the District and its taxpayers \$449,043.<sup>7</sup>

### **Improper Addition of Four Act 80 Days**

For the 2015-16 school year, the former Superintendent and the Board also altered the school calendar to delay the start of school by one week and to include five total Act 80 days. These changes failed to meet specifications of the teachers’ contract, which allowed for only one Act 80 day.<sup>8</sup>

We confirmed with the District that it did not fall below the required instructional time for students with these additional Act 80 days. We also asked District administrators about the financial cost of paying the teachers for the additional Act 80 days, but they were unable to provide us with that information.

<sup>7</sup> Wilke & Associates, LLP, *Moon Area School District: Report on Forensic Analysis of District Records*, January 28, 2016, page 7.

<sup>8</sup> *Ibid.*

*Criteria relevant to the finding  
(continued):*

**District Board Policy #011** entitled “Board Oversight Standards/Code of Conduct” adopted June 10, 2013, states, in part: “To promote student growth and achievement, an effective School Board . . . governs through policy by purposefully linking its actions to applicable Board Policies.”

**District Board Policy #006** entitled “Meetings” adopted June 10, 2013, states, in part: “The following actions require the recorded affirmative votes of a majority of the full number of school directors: ‘Fixing the length of school term.’ ”

**District Board Policy #601** entitled “Finances Objectives” adopted October 10, 2000, states, in part: “The Board recognizes its responsibilities to the taxpayers to be sure that public monies expended by the school District are spent in a manner that will ensure full value to the taxpayers, and that adequate constraints are established to ensure that end. To meet the goals of this policy, the Board requires the Superintendent to establish sound accounting practices.”

### **Lack of Transparency on Costs of Administrative Reorganization**

In February 2014, the former Superintendent began to reorganize administrative offices and to create new administrative positions. When he presented the proposed reorganization to the Board, the former Superintendent told the Board that these changes would be *budget-neutral* and would have a *net-zero* effect. No analytical documentation was provided to support the claimed net-zero effect, and yet the Board approved the recommended administrative and personnel changes.

A District analysis prepared by the business office late in the 2014-15 fiscal year revealed that the costs related to the administrative and personnel changes exceeded the original staffing costs by more than \$235,000 for the first year of the reorganization, even after adjusting for salary increases, thus indicating it was not budget neutral. This added cost represented approximately 15 percent of the \$1.54 million budget for administrative staff in 2013-14.<sup>9</sup> This analysis was never presented to the Board. Both the former Superintendent and the Board failed to sufficiently analyze the actual costs associated with these staffing changes *before* they were approved.

### **Failure to Report Vacation Days**

The former Superintendent did not accurately report his vacation days for multiple school years in the audit period. His employment contract stipulated that he earned 20 days of vacation annually. If he did not use all vacation days during any one contract year, he would have been compensated at a rate of 75 percent of his daily rate of compensation.

As part of the aforementioned forensic audit work, a District administration employee compared vacation days reported by the former Superintendent in the payroll system to days recorded on his calendar. The comparison found that for 2013-14 and 2014-15, he failed to fully report the vacation time he had taken. In 2013-14, he was paid for three days of unused vacation that he had actually used. The next year, he was paid for ten days that he did not report as being used. In all, he was paid for 13 unused

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<sup>9</sup> Ibid. Exhibit 24, unaudited by the Department.

vacation days that he had actually used, costing the District approximately \$6,000.<sup>10</sup>

### **Improper Hiring of Attorneys and Initiation of Legal Action**

According to the forensic report, the former Superintendent improperly engaged two separate attorneys on a legal matter without first obtaining approval from the Board, and yet the Board eventually approved both attorneys, even though the District was already paying separate legal counsel to address the matter. As a result, the District may have been paying for duplicative legal services from multiple counsels for the same matter.<sup>11</sup>

In early 2014, the District approved one of its attorneys (Attorney A) to review the District's arrangement with MTA. Later that year, the former Superintendent told Attorney A that the Board had approved the involvement of another attorney (Attorney B) to be hired as a consultant. In fact, the Board did not approve his hiring until August 2015, well after the District started paying Attorney B, who started billing the District in October 2014. These actions by both the former Superintendent and the Board were not in the best interest of the District and its taxpayers.

The lack of timely procurement and authorization of legal services, however, was not the only problem with Attorney B, who had been convicted of 11 counts of mail fraud and four counts of obstruction of justice in relation to overbilling clients. Many of his former clients were school districts. Given Attorney B's criminal record, which is related to clients that were school districts, the District should have considered whether or not he would be an appropriate legal service provider *prior* to the hiring.

In April 2015, the former Superintendent told Attorney A that the Board had approved the hiring of yet another law firm (Attorney C) to conduct a forensic audit of the MTA. The District was charged \$10,000 for this service. Based on our review of District documentation, there is no record of

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<sup>10</sup> Ibid., p.13.

<sup>11</sup> The legal matter involved the District's longstanding relationship with the Moon Transportation Authority (MTA). MTA is a public transportation agency that operates bus services in the District's township. MTA was established in 1987 to promote infrastructure and economic development in the township, and has financed and constructed various road construction projects. For the past several years, the Board has been analyzing the District's relationship with MTA and has been considering legal options relative to this longstanding arrangement.

the Board approving a forensic audit, nor of it having ever approved Attorney C to perform such services.

During the July 20, 2015 board meeting, the former Superintendent told the Board that Attorney A had prepared a legal opinion that the District should move forward with a lawsuit against MTA. Based on this information, the Board voted to take the steps to initiate the legal action. During the next board meeting on August 10, 2015, the public learned that Attorney A did not in fact recommend the legal action.

Despite knowing that Attorney A did not recommend filing a lawsuit, the District proceeded to file a lawsuit against MTA on August 20, 2015, listing the Counsel of Record as yet another attorney (Attorney D), who worked at Attorney B's law firm. The total amount paid by the District to Attorneys B and D, as of November 20, 2015, was \$35,075. Additionally, we confirmed that \$10,000 was also paid to Attorney C. The District dropped the lawsuit shortly after the former Superintendent separated from the District.

Because the Board had allowed the former Superintendent to unilaterally engage the District in legal action not approved by its own legal counsel, the District incurred potentially unnecessary or duplicative legal expenses of \$45,075.

### **Use of Personal Attorney**

The District incurred additional, duplicative legal costs in the amount of \$42,488 for legal services regarding another matter.<sup>12</sup> In August 2015, the former Superintendent, without the approval of the Board, independently engaged separate legal counsel to defend against a lawsuit brought against both him and the District. Engaging separate legal counsel to represent him was unnecessary because the Board, in accordance with the former Superintendent's contract, had provided him an attorney through the District's insurance carrier. These duplicative legal services were paid with public funds.

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<sup>12</sup> Wilke & Associates, LLP. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016. Page 13.

## **Conclusion**

The District's Board is responsible for the governance of the District's operations, including oversight of Superintendents and the District's financial activities. The Board should have routinely and closely monitored whether the former Superintendent and the administration were appropriately following board policies, implementing best practices, and ensuring compliance with the PSC. It should have, at a minimum, required its former Superintendent to account for any spending outside of the approved budget. Instead, the former Superintendent was allowed to make numerous decisions using public funds without receiving authorization from the Board and without accountability to the public. As a result, the former Superintendent and the Board repeatedly failed in their fiduciary responsibilities to provide fiscal accountability to the District's taxpayers.

## **Recommendations**

The *Moon Area School District* should:

1. Require its Board to monitor its Superintendent and administration more closely by requiring its Superintendent to present agreements, contracts, invoices, and budget reports at Board meetings *prior* to approving payments. This presentation should include:
  - a. Discussion of proposed initiatives that will involve new contracts for goods and services, so that the Board can ensure that proper procurement procedures are being implemented and that goods and services received comply with contracts and meet quality standards.
  - b. Discussion of any variations between actual expenditures and approved budgeted expenses.
  - c. Opportunities for the Board and the public to ask questions of the Superintendent about District invoices and proposed expenditures before payments.
2. Require human resources and payroll personnel to routinely review administrators' leave time, to follow-up on discrepancies between payroll records and actual leave time, and to report unusual trends, such as

unused vacation time, to both the Superintendent and the Board.

### **Management Response**

District management provided the following response:

“Management agrees with the findings and conclusion. The former Superintendent and the prior Board majority did not follow the Public School Code, Board policies, and best practices that were in place. This resulted in lax oversight, which contributed to waste and misuse of public funds, and to the findings that have been reported.

1. The current administration and Board have returned to long-held practices to publicly discuss proposed initiatives that involve new contracts for goods and services. A review of the Board agendas since December, 2015, when the newly-elected Board majority was seated, indicates that those discussions now take place on a routine basis.

The Board reinstated the use of Board subcommittees to provide platforms for discussion of District initiatives. For example, the Education Committee meets monthly with administration and staff to discuss education initiatives and the purchase of goods and services to further the education of our students. The Facilities Committee meets to discuss the completion of the renovations of Allard and Brooks Elementary Schools and plan for upcoming renovations of Hyde Elementary School.

In December, 2015, the Board entered into an agreement with Wilke & Associates, LLC to perform a forensic analysis of District accounting, financial, and other records to determine if there had been accounting, financial, or procedural irregularities in the District business office. According to Wilke & Associates, ‘based upon the procedures performed, we encountered many exceptions to the testing performed that indicate the presence of accounting, financial, or procedural irregularities’.

Financial reports are provided to the Board on a monthly basis. The Director of Fiscal & School Services will discuss the financial results of the District

with the Board at monthly meetings in order to provide an update as to the District performance compared to the total year budget.

The Board is given a list of bills that have been paid or will be paid prior to Board meetings. The Board and the public have an opportunity to ask questions about any invoices or proposed expenditures during the monthly meetings.

2. The District has moved from the [financial software], which was implemented by the former Superintendent, to the previously-utilized [financial software] to run the business office programs/transactions. The [previous] software is user friendly and provides a more accurate accounting of absences in comparison to [the financial software implemented by the former Superintendent].

The District is in the process of implementing AESOP, an absence management program, wherein administrators will electronically request leave time with prior approval needed from the Superintendent/Assistant Superintendent/HR Director. In the case of the Superintendent, approval for leave time shall be approved by the Assistant Superintendent/HR Director. AESOP will provide a more accurate accounting than the current paper process. A quarterly report of administrators' leave time including any discrepancies will be provided to the Superintendent/Board. AESOP will be rolled out to additional employee groups (i.e., teachers, custodians) in the months ahead.

The Interim Superintendent has tasked the Human Resources Department to develop written procedures that outline the steps to be taken to track administrator leave time and report any discrepancies to the Superintendent and Board.”

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are encouraged that the District is developing policies and procedures, as well as implementing software programs, that will address the numerous financial and accounting

irregularities that were identified. Since these procedures and software were being developed and implemented after completion of our audit work, we will evaluate these steps and any other corrective action taken during our next audit of the District.

## Finding No. 2

### The District Allowed Employees to Use Procurement Cards Without Adequate Oversight and in Violation of Board Policies

*Criteria relevant to the finding:*

**Board Policy #625** states, in part:

“The Board approves the use of procurement cards for permissible purchases by designated employees to improve the efficiency of purchasing activities, reduce processing expenses, improve controls for small-dollar purchases, and streamline vendor payment. The Board directs the administration to establish safeguards to prevent misuse of such cards.

The Board shall approve the list of employees authorized to use district procurement cards.

A list of authorized users of procurement cards shall be maintained in the business office and shall include employees in designated positions.

All use of procurement cards shall be supervised and monitored on a regular basis by the Business Manager, who shall ensure the use of such cards is in accordance with the funds budgeted for this purpose.

Proper accounting measures for the use of procurement cards shall be developed, distributed, implemented, and monitored by the Business Manager.

An employee authorized to use a procurement card shall maintain adequate security of the card while it is in his/her possession. Under no circumstances may the card be used by another individual.”

During the 2012-13 through the 2014-15 fiscal years, we found that 21 District administrators and support staff purchased a total of \$348,727 in goods and services with District procurement cards. Although the District had board-approved policies governing the use of procurement cards, it did not ensure that those policies were followed. For example, we found that the Board had never actually approved any list of card holders and was not aware of the number of procurement cards in use. We also found that the Board was not aware of the number and dollar amount of purchases made using the cards until we brought this information to the attention of the Board President.

The procurement card charges for the three-year period are summarized in the table below.

**Table 1**

Moon Area School District Procurement Card Expenditures <sup>13</sup>			
Fiscal Year	Administrators	Support Staff	Total
2012-13	\$37,844	\$103,150	\$140,994
2013-14	\$29,671	\$109,805	\$139,476
2014-15	\$23,348	\$44,909	\$68,257
<b>Total</b>	<b>\$90,863</b>	<b>\$257,864</b>	<b>\$348,727</b>

We also found that the District paid a total of \$1,118 in unnecessary finance charges during this same three-year period because it withheld payments on purchases until receipts were provided, and some receipts were not provided timely.

### **Failure to Comply with Board Policies**

We found that the District adopted a policy in June 2006 to govern the use of procurement cards. The procurement card policy was established to improve controls over small-dollar purchases and to “streamline” payments to vendors.

<sup>13</sup> The source of the data in the chart is the District’s monthly credit card statements.

*Criteria relevant to the finding (continued):*

“Purchases on his/her assigned procurement card by an individual employee shall not exceed the following:

1. Single transaction dollar limit \$500. (All users)
2. Daily dollar limit \$1,000. (All users)
3. Monthly dollar limit \$5,000. (Director of Maintenance, Director of Technology, & Athletic Director.)
4. Monthly dollar limit \$2,000. (Designated Maintenance Personnel, Principals, Assistant Principals, & Board Clerk.)
5. Merchant Category Code (MCC) list limitations.
6. Declining balance limits.
7. Fixed dollar amount not to exceed \$2,000. (Users as approved by the Superintendent of Schools.)

The following list includes but is not limited to items authorized for purchase, without obtaining bids or quotes, by employees using procurement cards:

1. Stationary, office supplies.
2. Minor repair items and services.
3. Computer parts and accessories.
4. Food for use in curriculum.
5. Vehicle rentals for athletics program.
6. Industrial arts supplies.
7. Athletic supplies and equipment.
8. Miscellaneous instructional supplies.
9. Other school-related items as approved by the Director of Fiscal & School Services.”

Further, the Board’s procurement card policy directed the administration to establish safeguards to prevent misuse of the cards; however, it failed to do so.

We reviewed the monthly credit card statements for all credit card holders for the three-year period and performed a detailed review of receipts for the purchases made by all five administrators for each of the three years. We also selected 2 support staff accounts of the 16 total support staff accounts that had the highest dollar amount of charges during the three-year period. We then reviewed receipts for all charges made during the three months that had the highest expenditures for each of those 2 support staff accounts.

Our review identified the following examples of violations of the Board’s procurement card policy:

- Multiple users had access to the business manager’s credit card.
- Single transactions exceeded the \$500 limit.
- Total daily transactions per card exceeded the \$1,000 limit.
- Food purchases were made that were not for curriculum or the education of students.
- User agreements were not executed for any of the five administrators, and the user agreement for one maintenance employee was not signed.
- Charges were made for goods and services related to an unauthorized rugby club.
- Cards were used to charge unauthorized travel.

#### **Lack of Accountability for Maintenance Charges**

According to District records, 12 maintenance staff were authorized to use the District’s procurement cards. Over the three-year period, we found that the maintenance staff charged nearly \$250,000 using these cards without sufficient oversight of the actual purchases.

*Criteria relevant to the finding (continued):*

“Procurement cards shall not be used for purchases that could be anticipated at the beginning of the school year and would circumvent the required bidding process.

Each employee using a district procurement card shall sign a card usage agreement and receive training on applicable policies and procedures.”

**District Policy #706 – Property Records:**

“The Board directs that adequate property records and inventory records be maintained on all land, building and physical property under the control of the district.

. . . It further directs that property records be maintained of all building and grounds under the control of the district. Such records shall be updated at such intervals as will coincide with property insurance renewal.

It shall be the duty of the Business Manager to ensure that inventories of equipment are systematically and accurately recorded and are updated and adjusted annually by reference to purchase orders and withdrawal reports. Property records of facilities shall be maintained on an ongoing basis.

Major items of equipment shall be subject to annual physical spot check inventory to determine loss, mislocation or depreciation; any major loss shall be reported to the Board.”

We reviewed the purchases and receipts for three months of the 2013-14 fiscal year for two of the maintenance staff with the highest charges, and we found multiple violations of the procurement card policy. For example, we found four purchases were made that exceeded both the single transaction limit of \$500 and the daily limit of \$1,000. When asked about these purchases, the District could not provide documentation to show that the purchases were pre-approved or the reason for not complying with the procurement card policy.

During the three-year period, total charges of \$141,772 on these two cards alone accounted for 57 percent of total maintenance charges of \$247,724. The table below summarizes the annual charges on each of those two maintenance cards.

**Table 2**

Moon Area School District Maintenance Department Purchases			
Fiscal Year	Procurement Card A	Procurement Card B <sup>14</sup>	Total
2012-13	\$32,304	\$39,514	\$71,818
2013-14	\$33,781	\$20,522	\$54,303
2014-15	\$15,651	-0-	\$15,651
<b>Total</b>	<b>\$81,736</b>	<b>\$60,036</b>	<b>\$141,772</b>

In addition to the violations of the Board’s procurement card policy, we also found violations of the District’s property records policy. That policy requires the District to maintain property records of consumable supplies on a continuous inventory basis, but we determined that the District did not maintain such records.

A review of the receipts showed that the maintenance staff often purchased general maintenance items such as cleaning supplies, landscaping materials, hardware, etc. Without a consumable supplies inventory or other records, the District could not determine if the purchases were necessary because the products may have already been on hand. Implementation of a consumable supplies inventory is a good business practice that can help reduce or even eliminate unnecessary or wasteful spending and reduce the

<sup>14</sup> The individual authorized to use Procurement Card B was no longer with the District as of December 2014; therefore, the 2013-14 charges are for only five months and there were no charges for the 2014-15 fiscal year.

*Criteria relevant to the finding  
(continued):*

**District Policy #706 – Property  
Records (continued):**

“Equipment shall be identified with a permanent tag that provides appropriate school district and equipment identification.

Property records of consumable supplies shall be maintained on a continuous inventory basis.

No equipment shall be removed for personal or non-school use.”

risk of employees inappropriately using or allowing others to use the products for purposes not related to District operations.

Finally, the procurement card policy requires the Business Manager to ensure that the use of the cards is in accordance with funds budgeted for each specific expense category. We found that, in the 2013-14 fiscal year, actual maintenance supplies purchased exceeded the budgeted funds by more than 34 percent. The use of an inventory system would have allowed the District to monitor existing supplies and determine if the purchases were necessary before other purchases were made.

### **Former Superintendent’s Improper Charges**

We also found that the former Superintendent improperly spent, used, or benefitted from District resources when using District procurement cards. The accounting irregularities, policy violations, unauthorized financial activities, and other improper actions are summarized below:<sup>15</sup>

- Between March 2014 and December 2015, the former Superintendent used District procurement cards to charge \$10,204 in purchases related to an unauthorized rugby club. Refer to Finding No. 3 for additional problems and costs related to the rugby club.
- One of the cards repeatedly used by the former Superintendent belonged to another administrator.
- The former Superintendent also used his procurement card for travel expenses that were not Board approved, including overnight trips to the following destinations:
  - University Park, PA for travel with the District’s girls’ volleyball team to attend a Penn State University volleyball game. Hotel rooms, meals, and other travel costs for team members and the former Superintendent totaled \$1,784 on this procurement card.

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<sup>15</sup> Wilke & Associates, LLP. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016.

- Ohio State University to accompany the boys' wrestling team to watch a collegiate wrestling match. Charges related to this trip for team members and the former Superintendent totaled \$1,348 on this procurement card, and it too was not approved by the Board.

The former Superintendent reduced transparency related to his use of public funds because he failed to obtain approval from the Board. These activities—including his own travel with these teams—failed to comply with board policies and the District's *Employee Procurement Card Usage Agreement*.

### **Conclusion**

Senior administrators and the Board should have been aware of the extent of the procurement card charges because the District had a policy in place. However, without established written procedures to ensure appropriate accountability, reporting, and authorization of procurement card transactions, the District allowed numerous employees to freely use the cards to make purchases that could not be substantiated, were not in compliance with the District's policy, and/or were not appropriately reviewed and authorized *prior* to use. The District chronically failed to comply with its own procurement card policy, and in so doing, it increased the risk of waste and misuse of public funds.

### **Recommendations**

The *Moon Area School District* should:

1. Require its administration to routinely report to the Board on the use of procurement cards. The Board should be required to review and approve these credit card reports. It should also annually authorize a limited number of employees permitted to use the cards, and it should be informed any time there are proposed changes to authorized procurement card holders.
2. Establish written procedures to ensure that every employee that is issued a procurement card fully understands the policies, procedures, and restrictions on the use of the card *before* the employee signs the user agreement. Both the District and the employee should

provide a written attestation that such training was provided and received, respectively.

3. Implement monitoring procedures to ensure that the maintenance department complies with the District's property records policy pertaining to inventory of consumable supplies. In addition, the Business Manager should ensure that all maintenance department purchases are properly accounted for and total expenses are within budgetary limits.
4. Implement procedures to prevent the District from unnecessarily incurring finance charges.

### **Management Response**

District management provided the following response:

“Management agrees with the findings and conclusion, and believes the problem dates back to the original establishment of the procurement cards and the setting of limits with the bank.

1. Once the problem was identified by the members of the auditing team, the Board and administration moved to address the issues. The following was addressed:
  - Contacted the bank and corrected the usage limits per cardholder to reflect the current policy.
  - Reduced the number of cardholders from 21 to 6. Contacted the bank and closed the 15 procurement cards which were no longer authorized.
  - Contacted frequently-used vendors and set up purchasing agreements for routine purchases.
  - At the January 9, 2017, Board meeting, a revised *Policy 625 Procurement Cards* was adopted. The new policy addresses the findings as follows:
    - The Board will authorize a list of procurement card users annually and any changes that occur during the year.
    - Procurement card users will be required to sign a user agreement.

- The Director of Fiscal & School Services will provide the Board with a monthly report which reflects the card usage by each authorized user.
2. The Interim Superintendent has tasked the Director of Fiscal & School Services to develop written procedures to ensure that every authorized procurement card user fully understands the policies, procedures, and restrictions on the use of the procurement cards.”

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are encouraged that the District is implementing a host of new processes and procedures aimed at strengthening internal controls and improving the tracking procedures for procurement card transactions. The District should ensure that these new procedures are being followed by regularly reviewing the procurement card expenses and the related reconciliation reports. We will evaluate these steps and any other corrective actions taken during our next audit of the District.

### **Finding No. 3**

### **A Superintendent Organized and Managed a Rugby Club with No Board Oversight, Risking the Safety of Student Participants**

*Criteria relevant to the finding:*

**Section 511(a)-(d), (f) of the PSC,** 24 P.S. § 5-511(a)-(d), (f), states, in part, that:

“(a) The board of school directors in every school district shall prescribe, adopt, and enforce such reasonable rules and regulations as it may deem proper, regarding . . . the management, supervision, control, or prohibition of exercises, athletics, or games of any kind . . . including raising and disbursing funds. . . .”

“(b) Any school or any class activity or organization thereof, with the approval of the board, may affiliate with any local, district, regional, State, or national organization whose purposes and activities are appropriate to and related to the school program.”

“(c) The board of school directors may . . . permit the use of school property, real or personal, for the purpose of conducting any activity related to the school program, or by any school or class organization, club, society, or group . . .” and “authorize any school employe or employes to manage, supervise, and control the development and conduct of any such activities. . . .”

“(d) . . . The treasurer or custodian . . . shall furnish the school district a proper bond . . .” and “shall be required to maintain an accounting system approved by the board, shall deposit the funds in a depository approved by the board . . . [and] shall submit a financial statement to the board quarterly or oftener. . . .”

A former Superintendent organized and managed a rugby club that did not have Board approval, as required by the PSC. During the 2013-14 through the 2015-16 school years, the Board failed to require any accountability of the former Superintendent’s operation of the rugby club including his authorization of payment for the club’s invoices. More important, the Board and its former Superintendent failed to ensure students’ safety in a school activity—an activity known for the intense physical nature of the sport and the injuries that can occur in matches.

As a result of the overall lax governance by the Board and the failure of the former Superintendent to adhere to the PSC and board policies, the District:

- Failed to require participating students to disclose prior concussions and traumatic injuries, putting them at risk of physical harm.
- Failed to obtain student accident insurance as required.
- Circumvented internal controls governing expenditures, including approval and payment of expenses without supporting receipts.
- Improperly used the PA sales tax exemption form.
- Took the rugby club (and other teams) on trips, including overnight trips, without obtaining prior Board approval.
- Utilized non-cash assets of the District to operate the rugby club, which was improper because the club was never approved.
- Improperly accepted donations on behalf of the rugby club.

*Criteria relevant to the finding  
(continued):*

“(f) The board of school directors of any district is hereby authorized to appropriate any monies of the district for the payment of medical and hospital expenses incurred as a result of participation in such athletic events or games, practice or preparation therefor, or in transportation to or from such athletic event or games, or the practice or preparation therefor, and for the purchase of accident insurance in connection with such participation and transportation.”

**Section 216(a), (c) of the PSC,** 24 P.S. § 2-216(a), (c), states, in part, that:

“(a) . . . Any . . . donation shall be administered by or under the direction of the board. . . .”

“(c) . . . it shall be the duty of the board of school directors to keep an accurate account of all . . . donations accepted . . .”

**Section 5323(a) of the PSC,** 24 P.S. § 5323(a), states, in part, that:

“A student participating in or desiring to participate in an athletic activity and the student’s parent or guardian shall each school year, prior to participation by the student in an athletic activity, sign and return to the student’s school an acknowledgment of receipt and review of a concussion and traumatic brain injury information sheet developed under this subsection.”

This provision was effective July 1, 2012.

The unauthorized financial activities, policy violations, and other improper actions are addressed further in the following sections.

### **Organization and Operation of an Unapproved Rugby Club**

The former Superintendent was the sole organizer of a rugby club and, according to the District’s forensic auditors, the rugby club “did not meet any of the criteria or follow any of the procedures to be registered and treated as a District school activity . . .”<sup>16</sup> In addition, the former Superintendent failed to comply with the following provisions of the District’s *Student Activity Fund Administrative Procedures* guide, which addresses requirements of organized school activities:

- Election of student officers.
- Submission by the high school principal to the Board a list of the rugby club’s participating students, elected officers, faculty advisor, and fundraising proposals.
- Preparation of an annual budget, which was supposed to be submitted to the principal.
- Establishment of the club’s own set of financial records.
- Student participants’ approval on the request-for-payment forms prior to reimbursement of expenditures.
- Final approval of expenditures by the principal.

### **Other Failures to Ensure Safety of Rugby Club Participants**

Both the PSC and Board policies require students participating in athletic activities to sign certain safety forms, one requiring disclosure of prior injuries and another providing information on sudden cardiac arrest symptoms, concussions, and other symptoms. When the former Superintendent sent out the registration forms for the rugby club, he did not include any of the PSC-required safety

<sup>16</sup> Wilke & Associates, LLP. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016. Page 8.

*Criteria relevant to the finding (continued):*

**Section 5333(a)(3) of the PSC,** 24 P.S. § 5333(a)(3), states, in part, that:

“(a) . . . (3) A student participating in or desiring to participate in an athletic activity and the student’s parent or guardian shall, each school year and prior to participation by the student in an athletic activity, sign and return to the student’s school an acknowledgment of receipt and review of a sudden cardiac arrest symptoms and warning signs information sheet developed under this subsection.” This provision was effective July 30, 2012.

**District Board Policy #121.1** entitled “Overnight Travel Programs” adopted November 11, 2013, states, in part:

“Any out-of-state or foreign travel overnight trip shall require . . . written approval of the Board.” “An overnight extracurricular trip . . . shall be attended by chaperones . . .” “The application for an overnight trip shall be accompanied by a tentative itinerary . . .” “. . . organizations sponsoring out-of-state travel must provide the District with . . . evidence that the organization has a minimum of \$1,000,000 liability insurance coverage . . .”

Moon Area School District Field Trip Request Form states, in part:

“For overnight or trips of 50 miles or more . . .” provide the following: “attach a list of the names of the students and all chaperones who plan to take the trip”, “written parental permission is a requirement”, “provide a copy of the proposed itinerary”, and “all overnight trips must be board approved.”

information forms.<sup>17</sup> This increased the risk to student athletes participating in the rugby club. It also increased the liability risk of the District.

For instance, one rugby participant, who was the son of a District administration employee, suffered a concussion during a rugby match. Since the District did not require students and their guardians to complete the safety information forms, it would not have been able to assess this concussion in relation to possible prior injuries, and therefore increased the risk to this student’s health.

### **Lack of Required Student Accident Insurance**

The Board and its former Superintendent also did not obtain the necessary student accident insurance coverage, and therefore, did not indemnify the District from liability. As part of his operation of the rugby club, however, the former Superintendent prepared a “Hold Harmless Consent Form,” which he presented to the participants’ parents for signature. The form stated that the rugby club, officers, coaches, and agents would be released from all liability for any injury incurred by playing the sport. Since the former Superintendent was the club officer and coach, the form he distributed indemnified himself from liability, but not the District.

### **Improper Use of Student Activity Funds**

According to the forensic audit report and our review of additional documentation, over \$11,000 of expenses were paid by the District on behalf of the rugby club. The District’s Activity Fund’s *Request for Payment* form requires the signature of a student treasurer, a faculty advisor, and the building principal. No student signatures were obtained on the forms completed for the rugby club—the rugby club actually had no elected student officers. Furthermore, instead of the required signatures of the principal for both pre- and post-transaction approval, the former Superintendent signed in the two sections where the principal was supposed to sign: the *Prior Approval-Principal* and the *Final Approval-Principal* sections.

<sup>17</sup> Ibid. Page 9 and Exhibit 12.

*Criteria relevant to the finding (continued):*

**District Board Policy #211** entitled “Student Accident Insurance” adopted December 2, 2013, states, in part:

“Every student participant in a student activity which requires accident insurance shall be required to furnish proof of membership in the student activity accident insurance program, or furnish proof that comparable coverage is carried in another insurance policy.”

Additionally, “Student activities requiring student accident insurance are . . . any other activities group engaged in activities which could be judged dangerous in terms of student’s health/safety.”

**District Board Policy #702** entitled “Gifts, Grants, Donations” adopted October 10, 2000, states, in part:

“The Board has the authority to accept such gifts and donations as may be made to the school district . . .” Additionally, “The Board shall be responsible for the maintenance of any gifts it accepts . . .”

**District Board Policy #011** entitled “Board Oversight Standards/Code of Conduct” adopted June 10, 2013, states, in part:

“To promote student growth and achievement, an effective School Board . . . governs through policy by purposefully linking its actions to applicable Board Policies.”

The *Request for Payment* forms, had they been completed correctly, would have provided a check and balance on the expenditure of student activity funds by providing a separation of duties. With the former Superintendent signing in place of the principal, the individual operating the club was the same as the individual requesting the funds, and the same as the individual authorizing the payment of the funds. We also noted that the former Business Manager had clearly written on the rugby club’s *Request for Payment* forms that the funds could be paid, but that he did not condone the transactions.<sup>18</sup>

In one instance, the former Superintendent signed and approved a *Request for Payment* form in the amount of \$540.00. The form describes the “reason for request” as “Referees for rugby matches - \$400, and rugby social pizza - \$140.00.” District documentation showed that the \$400 paid for referee fees had no supporting receipts. We reviewed documentation showing that a District employee had questioned this expense, making a notation, “There are no receipts for what was supposedly paid to the referees . . .” Yet, the District’s business office paid the total amount despite the lack of a receipt. This transaction, therefore, violated Board policy.<sup>19</sup>

### **Improper Use of Pennsylvania Sales Tax Exemption Form**

As noted in the forensic audit report and based on our review of District documentation, the former Superintendent signed and approved a *Request for Payment* form related to the non-approved rugby club in the amount of \$549.50 for a “Rugby Dinner 3/15/14 (w/Unionville).” Not only was the use of public funds for this expense improper due to the lack of supporting receipts, the sales tax exemption taken for this transaction was also improper.<sup>20</sup>

A Pennsylvania Exemption Certificate was included with this expense. Analysis of this document showed that the “Purchaser” was designated as “School District” and included the District’s Exemption Number. Also, the name of the purchaser was designated as “Moon Area School District.” Since this activity was not a school-sponsored

<sup>18</sup> Ibid. Page 61.

<sup>19</sup> Ibid. Exhibit 10.

<sup>20</sup> Ibid. Exhibit 9.

*Criteria relevant to the finding (continued):*

**District Board Policy #601** entitled “Finances Objectives” adopted October 10, 2000, states, in part:

“The Board recognizes its responsibilities to the taxpayers to be sure that public monies expended by the school District are spent in a manner that will ensure full value to the taxpayers, and that adequate constraints are established to ensure that end. To meet the goals of this policy, the Board requires the Superintendent to establish sound accounting practices.”

**District Board Policy #211** entitled “Student Accident Insurance” adopted December 2, 2013, states, in part:

“Every student participant in a student activity which requires accident insurance shall be required to furnish proof of membership in the student activity accident insurance program, or furnish proof that comparable coverage is carried in another insurance policy.”

Additionally, the policy states that a student is required to have accident insurance if he or she participates in “any activities group engaged in activities which could be judged dangerous in terms of student’s health/safety.”

**District Board Policy #702** entitled “Gifts, Grants, Donations” adopted October 10, 2000, states, in part:

“The Board has the authority to accept such gifts and donations as may be made to the school district . . .” Additionally, “The Board shall be responsible for the maintenance of any gifts it accepts . . .”

event, and the rugby club was not a school approved sports team, the exemption certificate was improperly used for this transaction.

### **Overnight and Other Trips Lacking Board Approval**

Without obtaining Board approval, the former Superintendent allowed rugby club student athletes to take trips exceeding 50 miles, as well as overnight trips. Board policy requires the completion of a travel request form and other documentation in order for approval to be granted by the Board. Yet, the former Superintendent did not seek Board approval for the various trips taken by the rugby club. He did not provide the Board with lists of participants, schedules, itineraries, and the number of chaperones. Additionally, no permission slips indemnifying the District against liability were found. Once again, the failure to obtain Board approval and signed permission slips increased the risk to students and increased the District’s own liability risk.<sup>21</sup>

### **Use of the District’s Non-Cash Assets**

The rugby club utilized non-cash assets of the District in its operations. The former Superintendent, for instance, instructed his administrative assistant to perform administrative functions for the rugby club. Some of these functions were to maintain participant files, prepare deposits, complete requests for payment, process correspondence, and arrange travel plans. He also directed another administrative employee to take rugby deposits to the bank.<sup>22</sup>

The former Superintendent also utilized a District-owned van for transportation of the rugby club student athletes to attend events. He also used multiple rooms at the high school and an administrative office to conduct meetings for the rugby club and requested assistance from the District’s contractor. According to the forensic audit report, the estimated cost of these activities and services was \$2,912. Since the rugby club was not an approved program, the use of the District’s non-cash assets was not proper.

<sup>21</sup> Ibid. Pages 8 to 10.

<sup>22</sup> Ibid. Page 10.

*Criteria relevant to the finding  
(continued):*

**District Board Policy #618** entitled “Student Activities” adopted October 10, 2000, states, in part:

“Student activities shall be considered an integral part of the school program and shall be conducted in accordance with the policies of the Board . . .”

Student organizations and clubs may use the tax-exempt status of the school district.” “Disbursements should be supported by invoices which are verified.”

**District Board Policy #122** entitled “Extracurricular Activities” adopted November 11, 2013, states, in part:

“. . . extracurricular activities shall be programs that are sponsored or approved by the Board . . .”  
Additionally, “. . . an athletic activity shall mean an athletic contest or competition that is sponsored by or associated with the school. . . .”

It further states: “The Board shall make school facilities, supplies, and equipment available and shall assign staff members for the support of extracurricular activities for students.”

Additionally, “Each school year, prior to participation in an athletic activity, every student athlete and his/her parent/guardian shall sign and return the acknowledgment of receipt and review of the following: Concussion and Traumatic Brain Injury Information Sheet and Sudden Cardiac Arrest Symptoms and Warning Signs Information Sheet.”

## **An Improperly Accepted Donation**

The former Superintendent improperly accepted a donation related to the non-approved rugby club. In December 2014, a \$5,000 donation was made by a local quasi-governmental industrial authority to the rugby club. The former Superintendent accepted the donation and directed it to be deposited into an account belonging to the District.

Since the PSC and the District’s own Board policy state that only the Board has the authority to accept and administer donations made to the District, the former Superintendent’s acceptance and deposit of the donation was unauthorized. According to the forensic audit report, the Board was never made aware of this donation and never voted to accept it. The former Superintendent’s actions further diminished the transparency and accountability of rugby club funds.

## **Conclusion**

The operation of this unapproved rugby club resulted in safety risks to student athletes, liability risks to the District, and lack of accountability in the use of public funds. Both the former Superintendent and the Board failed in their governance responsibilities related to this club.

## **Recommendations**

The *Moon Area School District* should:

1. Never allow school activities to be operated without Board oversight, no matter who is managing the activity, even senior administrators. The Board should verify that all PSC and Board policy requirements have been met to ensure student safety before allowing student activities and clubs to proceed.
2. Require anyone organizing, managing, or facilitating school activities to receive training on the relevant policies and procedures and to sign an affidavit affirming that he or she will abide by the District and the Commonwealth’s applicable rules and regulations. The administration should be required to report to the Board on student activities.

*Criteria relevant to the finding  
(continued):*

**District Student Activity Funds  
Administrative Procedures Guide  
states, in part:**

“ . . . each activity group shall meet to elect student officers . . . ” “ . . . the building principal shall submit a list of the student groups, their elected officers, their faculty advisor, and their fundraising proposals to the Board for their approval . . . ” “the student activity group must prepare and submit to the building principal an annual activity budget noting anticipated revenue sources and expenditure uses for the school year.”

“Each student activity group is required to maintain its own set of financial records.” “Purchases made by student activity groups are to be made via the request for payment form . . . ” “Obtain approval from the student members of the group to obligate funds.”

3. Instruct its business office to withhold payments on any requests for payments if they lack sufficient documentation and/or the required authorizations.

**Management Response**

District management provided the following response:

“Management agrees with the findings and conclusion. The former superintendent and the previous Board majority did not exercise proper oversight over the Rugby Club.

1. The Board, through their Student Activities Committee, immediately moved to correct the lack of oversight and mismanagement of the Rugby Club. The Board and administration took the following steps to correct the issues:
  - Required the members of the Rugby Club to follow the provisions of the *District’s Student Activity Fund Administrative Procedures* guide to organize their club. This included, but was not limited to, a list of student participants, the election of student officers, preparation of an annual budget, and the establishment of the club’s own set of financial records.
  - At the February 22, 2016, Board meeting, the Board approved the Moon Area Tigers Rugby Club as a Moon Area High School Club Sport.
  - Required the approval of overnight trips and trips exceeding 50 miles. For example, the Board approved a March 4-6, 2016, overnight team trip to Charlotte, NC, at the February 22, 2016 meeting.
  - Required athletic participants to sign safety forms disclosing medical information.
  - Ended the improper use of the Student Activities Fund by the Moon Area Tigers Rugby Club.
  - Ended the improper use of Pennsylvania sales tax exemption by the Moon Area Tigers Rugby Club.
  - Ended the improper use of the District’s non-cash assets (e.g., District-owned vans for transportation;

time spent by District employees on rugby-related activities) by the Moon Area Tigers Rugby Club.

2. The administration meets monthly with the Board's Student Activities Committee to report on student activities. This committee was re-established by the new Board majority after they were seated in December, 2015. The Student Activities Committee will develop written guidelines requiring anyone organizing, managing, or facilitating school activities to receive training on the relevant policies and procedures and to sign an affidavit stating that he or she will follow the District's and Commonwealth's rules and regulations.
3. The Director of Fiscal & School Services has notified the members of his department to withhold payments on any requests if they lack sufficient documentation and/or lack the required authorizations."

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are encouraged that the District is implementing processes and procedures aimed at strengthening internal controls and improving the accountability of the rugby club. We are pleased that the District is taking steps to ensure that it complies with all of the requirements relating to student activities. Since these processes and procedures were developed and implemented after completion of our audit work, we will evaluate the effectiveness of these actions during our next audit of the District.

## Finding No. 4

## The District Failed to Properly Procure and Monitor Several Contracts

*Criteria relevant to the finding:*

**Section 751(a) of the PSC**, 24 P.S. § 7-751(a), states, in part, that:

“(a) . . . where the entire cost . . . exceed[s] \$18,500 . . . shall be done under separate contracts to be entered into by such school district with the lowest responsible bidder, upon proper terms. . . .”

**Section 609 of the PSC**, 24 P.S. § 6-609, states, in part, that:

“. . . No work shall be hired to be done, no materials purchased, and no contracts made by any Board of school directors which will cause the sums appropriated to specific purposes in the budget to be exceeded . . . .”

**District Board Policy #818** entitled “Contracted Services” adopted October 10, 2000, states, in part:

“The Board, in its effort to provide cost effective programs, may need to utilize contracted services. The Board will continue to supervise and evaluate such services to assure their effectiveness.”

We found the Board and its former Superintendent both failed in their governance duties related to the procurement and monitoring of several contracts. The failure by the District’s leadership to comply with the PSC and Board policies resulted in excessive costs, potential safety risks, duplicate contracted services, and potential waste of public funds that could have been used for the education of District students.<sup>23</sup>

Our audit of the District’s contracting policies and procedures included a review of a separate forensic audit report issued in January 2016, as well as other documentation. The following sections detail issues with regard to procurement and/or monitoring that we identified with different contracts.

### **Visitor Management System Contract**

On May 26, 2015, the Board approved a contract that was recommended by the former Superintendent that totaled \$64,000 for the purchase of an automated visitor management system.<sup>24</sup> According to the forensic audit report, the District’s Director reviewed prices for similar systems offered by other local vendors and determined that the cost of the equipment itself was approximately \$10,500 and that the total cost of the new contract, including added charges for installation and monitoring, was too expensive.<sup>25</sup> When he relayed his concern about the cost of the new contract to the former Superintendent, the Director said the former Superintendent told him not to question him and to approve the invoice.<sup>26</sup>

<sup>23</sup> An accounting firm, Wilke and Associates, LLP, was hired by the District in December 2015 to review the financial and other activities of the former Superintendent. Its report was issued January 28, 2016.

<sup>24</sup> Visitor management systems provide varying levels of automated security to school buildings. Using computers and remote controls, they can restrict access to schools and often require visitors to identify themselves before doors are unlocked and visitors are granted entrance. They can also provide recordings of entrance and egress to and from school buildings.

<sup>25</sup> Wilke & Associates, LLP. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016. Page 13.

<sup>26</sup> *Ibid.* Exhibit 57.

*Criteria relevant to the finding  
(continued):*

**District Board Policy #610** entitled “Purchases Subject To Bid” adopted October 10, 2000, states, in part:

“It is the policy of the Board to obtain competitive bids for products and services where such bids are required by law or where such bids may be believed to bring about a cost saving to the school district.”

**District Board Policy #011** entitled “Board Oversight Standards/Code of Conduct” adopted June 10, 2013, states, in part:

“To promote student growth and achievement, an effective School Board . . . governs through policy by purposefully linking its actions to applicable Board Policies.”

**District Board Policy #601** entitled “Finances Objectives” adopted October 10, 2000, states, in part:

“The Board recognizes its responsibilities to the taxpayers to be sure that public monies expended by the school District are spent in a manner that will ensure full value to the taxpayers, and that adequate constraints are established to ensure that end. To meet the goals of this policy, the Board requires the Superintendent to establish sound accounting practices.”

The former Superintendent had used the new vendor’s product at his previous place of employment, but this is not reason enough for a Superintendent to select a vendor. The District should have complied with the PSC and its own *Board Policy No. 610* by soliciting bids for this type of contract. Soliciting bids would have encouraged competition in both pricing and quality of equipment and services.

### **School Security Consulting Contracts**

At board meetings held on January 13, 2014 and January 26, 2015, the Board approved the expenditure of District funds for school safety consulting services, but it then failed to require the former Superintendent to provide the consultants’ recommendations to the Board. As a result, the District missed two separate opportunities to address school safety issues and to consider making recommended improvements.

At the January 13, 2014 board meeting, the Board approved a contract with a consulting firm to provide a *School Security Assessment Report* at a cost of \$36,500. One member of the Board questioned the former Superintendent as whether the District received other proposals before this firm was selected. The former Superintendent stated “we did not receive any other proposals” and further stated that he had “worked with the firm in the past.”<sup>27</sup> Despite knowing the District neither received other proposals nor obtained other quotes, the Board approved the contract.

Furthermore, the Board and its former Superintendent failed to adequately follow up on the results of the consulting services provided. The vendor issued reports that contained many recommendations to improve safety and security, yet these reports were not shared with the Board.

The following year, on January 26, 2015, the Board approved another contract with the same vendor at a cost of \$19,500 to provide a *Tabletop Exercise Consultation* to assist the District in the creation of an updated *Emergency Management Plan*. Again, the District never used the results of this consultation to update the emergency plan, and as a result, the District continued to rely on an

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<sup>27</sup> January 13, 2014 District board meeting minutes.

*Criteria relevant to the finding (continued):*

**District Board Policy #616** entitled “Payment of Claims” adopted October 10, 2000, states, in part:

“It is the purpose of the Board to effect the prompt payment of bills, but at the same time to ensure that due care has been taken in the review of such bills. Each bill or obligation of this Board must be fully itemized, verified and passed upon by the Board before a check can be drawn for its payment. . . .”

Section 7701(g) of the Emergency Management Services Code, 35 Pa.C.S. § 7701(g), requires that every school district, in cooperation with the local and state emergency management agency, shall develop and implement a comprehensive disaster response and emergency preparedness plan. Additionally, the plan shall be reviewed annually and modified as necessary. Finally, a copy of the plan shall be provided to the county emergency management agency.

emergency plan that was last updated during the 2012-13 school year.<sup>28</sup>

On January 25, 2016, we requested a copy of the above reports, and the District provided three reports: *School Security Assessment Final Report, Tabletop Exercise Observation and Recommendations*, and *Crisis, Safety and Related Communications Recommendations*. Together these reports made 132 recommendations and contained 274 “action steps” related to the implementation of the recommendations.

The failure of the District’s leadership to review these reports and take action toward implementing the recommendations not only represented a possible waste of taxpayer funds, but also potentially caused the District to have unnecessarily allowed certain identified safety risks to remain in place.

### **Education Software Contract**

During the April 30, 2015 board meeting, the former Superintendent recommended the District enter into a five-year lease contract for an education software licensing agreement at a total cost of \$83,500. He stated that replacing the existing software for online courses would be “a straight displacement of that product.” He further stated that the new contract would yield a “\$10,000 savings.” Relying on this information, the Board voted to enter into the new agreement.<sup>29</sup>

When the former Superintendent presented the new software contract to the Board, however, he did not disclose that the District was already bound by a contract for other software providing similar services at a cost of \$26,000 annually. While the District could have terminated the existing contract prior to a contractual renewal deadline of April 1, 2015, for the 2015-16 school year, it did not do so. Thus, for the 2015-16 school year, the District was contractually obligated to pay both the \$26,000 annual fee to the first vendor and a \$16,000 annual fee along with a \$3,500 start-up fee to the new vendor for essentially the same contracted software service. Again, the District appears to have wasted public funds.

<sup>28</sup> January 26, 2015 District board meeting minutes.

<sup>29</sup> Wilke & Associates, LLP., *Moon Area School District: Report on Forensic Analysis of District Records*, January 28, 2016, page 11.

## **Conclusion**

The Board overly relied on the leadership of the former Superintendent and failed to hold him accountable with regard to several contracts, and because it did so, it failed in its stewardship of public funds designated for the education of District students. The Board and the former Superintendent further failed to comply with the PSC and its own policies related to the procurement and monitoring of contracts.

## **Recommendations**

The *Moon Area School District* should:

1. Immediately review its three separate reports on school security and assess the recommendations to improve safety. It should promptly update its safety plans and report to the public on the status of its progress toward achieving goals to upgrade the District's overall safety, although sensitive information that could be used for malicious purposes should not be communicated to the public.
2. Improve its procedures governing the procurement of contracts so that the District ensures compliance with the PSC and its own Board policies. It should also develop written procedures to guide its administration and Board to improve monitoring of existing contracts. These procedures should include, at a minimum, the following:
  - a. Formal tracking of contracted goods and services so that the District can:
    - i. Avoid duplicative or unnecessarily overlapping contract terms.
    - ii. Implement timely bidding procedures before established cost thresholds are exceeded.
  - b. Elimination of any automatic renewal clauses in contracts.

## Management Response

District management provided the following response:

“Management agrees with the findings and conclusion that the previous Board majority and former Superintendent failed in their governance duties related to the procurement and monitoring of the listed contracts.

1. Beginning in December, 2015, the Board and administration have worked to restore the District’s efforts to provide a safe environment for the students, staff, and community. Those efforts were derailed by the former Superintendent who stopped local safety planning efforts in favor of employing national safety consultants. In addition, the former Superintendent failed to share the consultant’s reports with the previous Board and administration and did not implement the consultant’s recommendations.

The current Board established a Safety Committee comprised of board members, administrators, and a School Resource Officer to oversee the District Safety Plan.

The Interim Superintendent appointed two administrators and the School & Community Relations Coordinator to coordinate the District Safety Plan and to re-establish our partnership with the Moon Township Police Department. The following represents *some* of the steps that have been taken to upgrade the District’s overall safety:

- Reviewed the consultants’ recommendations and implemented appropriate measures.
- Installed security cameras and devices at each of our District schools.
- Closed all school campuses to public recreational use between the hours of 7:00AM to 3:00PM.
- Established Crisis Teams at each of the schools.
- Standardized safety practices throughout the District.

- Established evacuation plans.
  - Replenished materials for the “Go Buckets”.
  - Secured a School Resource Officer through a Safe Schools Grant submitted by the Moon Township Police Department.
  - Secured a Safe Schools Grant to purchase safety materials in the amount of \$6,000.
2. Following the seating of the current Board and the appointment of the Interim Superintendent, the administration and management of all contracts have reverted to the procedures that were in effect prior to the appointment of the former Superintendent.

The Director of Fiscal & School Services will monitor all contracts for goods and services in order to avoid duplication of contract terms.

All bidding regulations have been followed. The Board updated and approved *Policy 610 Purchases Subject to Bid/Quotation* on October 10, 2016. The Director of Fiscal & School Services prepared written procedures for bidding. The Director of Facilities and Supervisor of Facilities, along with the Director of Fiscal & School Services, attended a PASBO webinar *Issuing Bids and RFPs*, on November 3, 2016, as a training tool on best practices.”

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are also glad that the District has taken action to update its policies and procedures in an effort to upgrade the District’s overall safety environment. Additionally, we are encouraged that the District is implementing policies and procedures aimed at strengthening internal controls related to the procurement and monitoring of its contracts. Since these policies and procedures were developed and implemented after our audit work, we will evaluate their effectiveness during our next audit of the District.

## Finding No. 5

### The District Failed to Monitor a \$26 Million Construction Contract, Which Led to Unsubstantiated Costs and Possible Safety Risks

#### *Criteria relevant to the finding:*

**Section 1004 of the PSC**, 24 P.S. 10-1004, states, in part, that:

“Every person elected or appointed as . . . district superintendent shall . . . subscribe to and take . . . the same oath as herein been prescribed to be taken by persons elected to the office of school director. . . .”

**Section 701 of the PSC**, 24 P.S. 7-701, states, in part:

“The board of school directors of each school district shall provide the necessary grounds and suitable school buildings to accommodate all the children between the ages of six and twenty-one years . . . Such buildings shall be constructed, furnished, equipped, and maintained in a proper manner as herein provided. Suitable provisions shall be made for the heating (including the purchase of fuel), ventilating, adequate lighting, and sanitary conditions thereof, and for a safe supply of water, so that every pupil in any building may have proper and healthful accommodations.”

**Section 751 of the PSC**, 24 P.S. 7-751, states, in part, that: “. . . [W]ork of any nature [to be done under contract] . . . where the entire cost . . . shall exceed a base amount of . . . \$18,500 . . . shall be done under separate contracts to be entered into by such school district with the lowest responsible bidder, upon proper terms . . .”

The District’s Board and former Superintendent failed to oversee a major construction project involving the renovation of three elementary schools during the 2013-14 through the 2015-16 school years. The District failed to hold the architect and contractors accountable as required by its own board policies and the terms of the construction contract. The District improperly paid nearly \$900,000 for change orders lacking sufficient documentation of the cost of labor and materials, and then the Board *belatedly* approved these payments despite the lack of documentation. The District also failed to ensure the construction work was sufficiently completed *before* it had paid 95 percent of the \$26 million contract price.

The weak oversight and governance practices also led to significant unfinished work in two of the school buildings, which may have affected the safety of students, teachers, and staff. As recently as the close of our audit work in November 2016, we confirmed there still remained significant unfinished work on the construction project. Because of the poor management of this project, the District may have failed to comply with Section 701 of the PSC in providing “necessary grounds and suitable school buildings to accommodate all the children . . . so that every pupil in any building may have proper and healthful accommodations.”

As part of our audit, we reviewed a January 2016 forensic audit report issued by an independent certified public accounting firm<sup>30</sup> and a November 2016 *Project Analysis Report* completed by an independent construction management company.<sup>31</sup> We also reviewed additional documentation to further review the actions of the Board and former Superintendent in relation to this contract and to corroborate certain information in the reports that we used to develop this and other findings included in our audit report. The rest of this finding highlights specific instances

<sup>30</sup> Wilke & Associates, LLP: Certified Public Accountants and Small Business Advisors. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016.

<sup>31</sup> Foreman Program and Construction Managers, *Project Analysis Report*, November 9, 2016.

*Criteria relevant to the finding (continued):*

**District Board Policy #011** entitled “Board Oversight Standards/Code of Conduct”, adopted June 10, 2013, states, in part:

“To promote student growth and achievement, an effective School Board . . . governs through policy by purposefully linking its actions to applicable Board Policies.”

**District Board Policy #601** entitled “Finances”, adopted October 10, 2000, states, in part:

“The Board recognizes its responsibilities to the taxpayers to be sure that public monies expended by the school District are spent in a manner that will ensure full value to the taxpayers, and that adequate constraints are established to ensure that end. To meet the goals of this policy, the Board requires the Superintendent to establish sound accounting practices.”

**District Board Policy #302** entitled “Employment of Superintendent”, adopted October 10, 2000, revised November 14, 2011, states, in part:

“Every person elected or appointed as Superintendent shall . . . subscribe to and take an oath “that I will discharge the duties of my office with fidelity.”

of improper management of the contract and their impacts on the District.

### **Lack of Board Oversight**

According to the January 2016 forensic audit report and Board transcripts, the architects testified to the Board in a meeting on January 11, 2016, that the former Superintendent instructed the project’s architectural firm that if the architects were not listed on the agenda for board meetings, they should *not* present monthly updates to the Board, even though updates were required according to the contract.<sup>32</sup> The failure to ensure compliance with this contract term was the responsibility of both the former Superintendent, who acted outside of his authority, and the Board, which authorized the contract and should have actively and publicly required routine status reports from both the former Superintendent *and* the architects.

In addition to its own PSC-required governance duties with regard to contracts and construction projects, the Board also should have monitored the project’s timeline and accountability terms related to work progress and payments as set forth in the contract. If the Board had required accountability of the former Superintendent and the architects, some of the problems discussed below could have potentially been averted or at minimum, timely addressed. According to the *Project Analysis Report*, if the architect had timely reported to the Board in accordance with the contract, “. . . the Architect would have presented the problems that were occurring during construction. Specifically, the project was behind schedule during the first month of construction.”<sup>33</sup>

### **Persistent Safety Concerns**

The construction project started in the last quarter of the 2014-15 school year while classes were still in progress. From the outset, safety concerns were repeatedly expressed. For example, a concerned school board member

<sup>32</sup> Wilke & Associates, LLP: Certified Public Accountants and Small Business Advisers. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016. Page 18, Item #36, and Exhibit 65. Also, according to § 3.1.8 of the contract, “[t]he Architect shall attend monthly School Board Meetings throughout the duration of the Project to include presentation of monthly updates, construction progress and Change Order proposals, when necessary.”

<sup>33</sup> Foreman Program and Construction Managers, *Project Analysis Report*, November 9, 2016. Page 19 of 47, item #4.

*Criteria relevant to the finding  
(continued):*

**District Board Policy #616** entitled “Payment of Claims”, adopted October 10, 2000, states, in part:

“It is the purpose of the Board to effect the prompt payment of bills, but at the same time to ensure that due care has been taken in the review of such bills. Each bill or obligation of this Board must be fully itemized, verified and passed upon by the Board before a check can be drawn for its payment. . . .”

**District Board Policy #818** entitled “Contracted Services”, adopted October 10, 2000, states, in part:

“The Board, in its effort to provide cost effective programs, may need to utilize contracted services. The Board will continue to supervise and evaluate such services to assure their effectiveness.”

**District Board Policy #002** entitled “Authority and Powers”, adopted June 10, 2013, states, in part:

“The Board has been given the necessary authority and is empowered by the School Laws of Pennsylvania to establish, maintain, and govern a thorough and efficient system of education . . .”

sent an email to the former Superintendent, dated April 28, 2015, outlining observations that were made during a visit to the two elementary schools around the same time as the email. The board member’s observations of the work in progress included exposed wires in open ceilings, exposed and ripped insulation, exposed pipes, and loose ceiling tiles. This board member indicated that he believed that what he observed “create[d] an unsafe and unhealthy atmosphere for both staff and students.”

Following the Board’s receipt of the email, the former Superintendent, in a memorandum to the Board, dated May 1, 2015, stated in part:

[The Board member’s] concern was promptly conveyed to the Architects and the Construction Company. Both buildings had been inspected at the completion of the previous evening’s work and no health/safety issues were identified. The building was clean and orderly. Consequently, I was advised that no intervention was necessary since the assertion of an unacceptable situation was false.

The Board accepted the above explanation from the former Superintendent and did not require any direct accountability from the architect or the construction company regarding the safety issues expressed by the board member.

Concerns about safety issues persisted. According to board meeting minutes from August 10, 2015, the same board member stated that he toured one of the elementary schools and noted that the students would be coming back to school in a construction zone, since the final phase of construction was not going to be completed by the original deadline of August 17. He suggested delaying the start of the new school year. The Board then voted to delay the start of the school year by one week from August 17, 2015, to August 24, 2015. This last minute vote to delay the start of the school year is a good indicator that helps to support the credibility of claims about safety issues or at least the fact that the project was not completed on time.

Yet another concern regarding safety was expressed by a member of the public, who addressed the Board at its August 24, 2015 board meeting. The member of the public commented that he had attended orientation at one of the elementary schools and said, “There was an open elevator

shaft with a piece of drywall in front of it.” According to the minutes of that meeting, the Board did not respond to this comment. (The date of the orientation was not noted in the minutes.)

Additional safety issues are discussed again in the next section, which addresses problems related to unfinished work, which persisted until the close of our audit work at the District in November 2016.

### **Persistent Project Completion Issues**

The contract’s original timeline stipulated a substantial completion date of August 1, 2015, and a final completion date of August 17, 2015. The contract also stipulated that the District would be paid \$2,500 per day for each day beyond the date of final completion if the project was not completed on time. The District did not hold the contractor to this provision. As noted in the previous section, the start of the 2015-16 school year was delayed by a week because the project was not substantially complete as of the original deadline date. We found no evidence of any Board discussion about these missed deadlines and whether they were appropriate, nor was there any discussion about seeking any remuneration because of them.

As noted in the January 2016 forensic report, the District had paid over \$24.8 million dollars, or 95 percent of the original contract price of \$26.1 million, as of December 2015, and the project was still not complete. The District’s current administration confirmed that, due to the extensiveness of the incomplete construction work, the final occupancy certificates for both elementary schools were not issued until March 3, 2016, in the last quarter of the 2015-16 school year, despite students having returned to school in both buildings nearly seven months earlier in August 2015.

Best practices commonly require a retainage of 10 percent of the total contract price, which is sometimes reduced to 5 percent after an established percentage of completion has been acknowledged by all parties involved.<sup>34</sup> In this case, because there was insufficient accountability required by

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<sup>34</sup> Foundation of the American Subcontractors Association, Inc. *Retainage Laws in the 50 States 2016*. Pennsylvania, page 21.

the District, it may have paid on the contract before ensuring satisfactory work was completed.

We conducted a walk-through in September 2016 and verified that numerous items still had not been completed, fixed, or resolved. Although the District had finally received its certificates of occupancy in March 2016, as of the end of our audit work at the District in November 2016, numerous safety-related items still had not been addressed, including but not limited to electrical issues at various locations throughout the school buildings. The ongoing delays in the completion of this project were not sufficiently justified to the Board and the public to determine whether they were valid or not.

This lack of accountability on the progress of the project—including adjustments to original deadlines of each phase—was one result of the administration and the Board’s failure to provide appropriate and timely oversight on this construction contract. Another result was the significant number of uncompleted items listed on the project’s *punch lists*, which numbered as high as 472 as of February 4, 2016. Even as of November 2016, more than 15 months after the original project deadline, the *Project Analysis Report* listed 30 items that were still incomplete or unresolved and potentially posed safety risks.<sup>35</sup>

### **Change Orders Not Properly Approved**

According to the forensic audit report and Board transcripts, the architects testified to the Board in a meeting on January 11, 2016, that the former Superintendent “had instructed them to hold all change orders until the end of the project, after the work had been completed, and to present them at that time as a single motion. . . .”<sup>36</sup> (The architects also acknowledged that not bringing change orders to the Board was unusual.) As a result, the former Superintendent unilaterally approved nine change orders totaling over \$880,000, which the District paid *before* the Board approved them.

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<sup>35</sup> Foreman Program and Construction Managers, *Project Analysis Report*, November 9, 2016, pages 25 – 29.

<sup>36</sup> Wilke & Associates, LLP: Certified Public Accountants and Small Business Advisers. *Moon Area School District: Report on Forensic Analysis of District Records*. January 28, 2016. Page 18, item #38, and Exhibit 65. Also, according to § 3.1.8 of the contract, “[t]he Architect shall attend monthly School Board Meetings throughout the duration of the Project to include presentation of monthly updates, construction progress and Change Order proposals, when necessary.”

Further, when the Board *belatedly* approved these nine change orders in November 2015, it did so without having first reviewed sufficient documentation for these additional costs. Our review of the nine change order forms revealed that none of the forms contained the required signatures of a contractor, a representative from the District, and the architectural firm. The Board should not have approved these change orders without seeking the documentation to support the labor and materials that would have comprised these costs. Instead, by approving the change orders, even though they were already paid, the District and the public were deprived of a proper accounting for these costs.

### **Improper Flooring Contract Amendment**

The former Superintendent also improperly amended a flooring construction subcontract without Board approval. The subcontractor had informed the former Superintendent that the existing concrete flooring exceeded the manufacturer's specifications for moisture content. The subcontractor recommended the installation of a moisture mitigation system along with the installation of the new carpeting. But the former Superintendent unilaterally instructed the subcontractor to install the carpet without the system, and because so, the subcontractor required an amendment to the contract shielding the subcontractor from any future claims related to the flooring installation.

This amendment to a subcontract was signed by the former Superintendent, and there is no evidence he informed the Board of the recommended flooring modifications or the fact that his decision went against the recommended standards. This is one more example of the former Superintendent sidestepping his duty to the Board and the public, which may have resulted in a safety risk and possibly a future liability.

## **Conclusion**

Clearly, a project of this magnitude should have been closely monitored and timely accounted for by both the former Superintendent and the Board, from the beginning of the process through each phase of its completion. However, as a result of the overall lapse in good governance, the former Superintendent poorly and unilaterally oversaw the project without a sufficient check and balance by the Board. This led to an array of problems:

- Contract terms related to accountability were ignored.
- Work progress and deadlines were not timely reviewed and adjusted by the Board.
- Change orders were not processed timely and lacked sufficient documentation.
- Funds were disbursed without *prior* Board approval.
- An improper contract amendment was signed without Board approval.

Perhaps most important, the project was not completed properly, leaving two elementary schools with significant unfinished work. Therefore, the District allowed students, teachers, and other employees to return to both buildings in August 2015 with substantial work still incomplete, some of which may have posed safety risks to students and staff. As of the close of our audit work in November 2016, some of this work was still incomplete.

## **Recommendations**

The *Moon Area School District* should:

1. Immediately address all incomplete project tasks, particularly those posing safety risks to students, teachers, and staff, and require their prompt resolution.
2. Require a full and public accounting of all costs related to this project to determine whether the District and its contractors complied with terms of the contract. This should include obtaining missing documentation from

vendors to support all change orders paid by the District.

3. Implement standardized accountability procedures for both the Board, the Superintendent, and other senior administrators so that future projects cannot proceed without ongoing and routine progress reporting. At a minimum, these procedures should address the following:
  - a. A requirement that the District uses a construction manager to oversee the completion of the work and who will report *directly and routinely* to the Board on the progress of the project.
  - b. Business office contract payment restrictions, including requirements related to documentation of costs and authorization—e.g. evidence of Board review and approval—*prior* to the issuance of payments on construction contracts.
  - c. Prohibition of payments by the business office of any change orders without evidence of *prior* Board review and approval of 1) the reason(s) justifying the change order, and 2) documentation of the associated costs for labor and materials.
  - d. Minimum retainage requirements and job completion attestation requirements before full payment can be provided by the District.

### **Management Response**

District management provided the following response:

“Management agrees with the findings and conclusion that the former Superintendent exercised a lack of accountability and that there was a lack of governance and oversight by the former Board majority in regards to the \$26M construction contract.

1. The current Board and administration concluded that there were significant issues with the construction projects and, accordingly, engaged an accounting firm to conduct a forensic analysis to review and document the construction activities to determine if there had been accounting, financial, or procedural irregularities

committed during the construction process. In addition, the Board engaged an architectural and engineering firm to review the construction contracts, construction meeting reports, and PlanCon submissions to provide an opinion as to the propriety and effectiveness of the contracts, reporting, and accounting of the architects, general contractor, and subcontractors. Both firms concluded that there were a number of significant deficiencies and issues related to the planning, management, and construction activities surrounding the renovation projects.

The current Board and administration have worked since December, 2015, to resolve the remaining construction issues and to correct construction deficiencies/safety concerns left unfinished by the former Superintendent and former Board majority. The Board hired an architectural and engineering firm to work with the contractors to complete outstanding construction work. This work is ongoing.

2. The Director of Fiscal & School Services, in conjunction with architectural and engineering firm engaged by the current Board, continues to account for all costs related to the renovation projects. This work includes securing missing documentation from vendors to support change orders.
3. The current Board and the Interim Superintendent have returned to the use of standardized accountability procedures, which were in place and working effectively before the former Superintendent and prior Board majority assumed management of the Allard and Brooks Elementary Schools construction projects. The following actions of the current Board and administration provide evidence of the return to standardized accountability procedures:
  - Established a Board Facilities Committee to provide oversight to construction/renovation projects. The Facilities Committee is comprised of members of the Board and administration who discuss issues and bring recommendations to the Board for approval.

- Engaged an architectural and engineering firm to oversee the completion of unfinished work at Allard and Brooks Elementary Schools.
- Reduced the number of punch list items left unfinished by the former Superintendent and former Board majority from 472 items to less than 30 items, which are being addressed at this time.
- Engaged an architectural firm and a construction management firm to plan and oversee the future renovation of Hyde Elementary School.
- Followed all bidding procedures for goods and services. For example, Hyde Elementary School asbestos abatement, furniture replacement, and roof repairs; Allard Elementary School outside fence replacement; and Brooks Elementary School garage door replacement.”

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are encouraged that the District has taken numerous actions to address the issues identified. We reiterate the importance of the District immediately addressing all incomplete project tasks, particularly those potentially posing safety risks to students, teachers, and staff. We also are encouraged that the District’s new leadership recognizes the importance of developing and implementing proper internal control procedures for all projects but especially when executing a construction project of this magnitude. We will evaluate the District’s corrective actions during our next audit of the District.

## Finding No. 6

## The District Failed to Ensure School Bus Drivers Met All Employment Requirements

### *Criteria relevant to the finding:*

**Chapter 23** (relating to Pupil Transportation) of the State Board of Education Regulations, among other provisions, provides that 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. (*See in particular 22 Pa. Code § 23.4*)

**Section 111 of the PSC**, 24 P.S. § 1-111, as amended, requires state and federal criminal background checks; Section 6344 of the State Child Protective Services Law (CPSL), 23 Pa.C.S. § 6344, as amended, requires a child abuse clearance.

Specifically, Sections 111(b) and (c.1) of the PSC require prospective school employees who have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information (CHRI) obtained from the Pennsylvania State Police (PSP), as well as a report of federal CHRI records obtained from the Federal Bureau of Investigations.

Section 111(e)(1)-(2) of the PSC lists convictions for certain criminal offenses including most major criminal offenses, such as criminal homicide, rape, and drug convictions, that require an absolute ban on employment.

We found that the District did not ensure that all bus drivers had the required credentials and criminal history clearances *before* they transported students at the beginning of the school year. We found that the District relied on the contractor to obtain licenses and clearances and to provide that documentation to the District. However, once the District received the documentation, it did not review it for completeness and did not verify that each of the contractor's drivers met the requirements to transport District students. We also found the following as a result of our review:

- For the 2015-16 school year, the Board did not approve the list of drivers until January 25, 2016, more than four months after the start of the school year.
- For the 2014-15 school year, the bus drivers were never approved by the Board.
- For the 2011-12 through the 2013-14 school years, the District waited until the month of October before approving contracted drivers.

Timely oversight and approval of bus drivers and any others having direct contact with students is one of the Board's most important student protection responsibilities. The use of a contractor to provide student transportation does not relieve the Board and the District from these mandated responsibilities.

The District's Transportation Coordinator told our auditors that, for the 2014-15 school year, she provided the listing of the drivers to a senior administrator to place on the agenda for approval at the Board's October meeting; however, it did not get placed on the agenda, and the Board never reviewed and approved the listing.

*Criteria relevant to the finding  
(continued):*

Further, effective September 28, 2011, Act 24 added Section 111(f.1) to the PSC which provides that a ten, five, or three year look-back period for certain convictions be met before an individual is eligible for employment.

Section 111(a)(2) confirms that bus drivers employed by a school entity through an independent contractor who have direct contact with children must also comply with Section 111 of the PSC.

Additionally, Section 111 provides in subsection (b), in part: “. . . Administrations shall maintain a copy of the required information.”

Section 111(g)(1) of the PSC provides that an administrator, or other person responsible for employment decisions in a school or other institution under this section willfully fails to comply with the provisions of this sections commits a violation of this act, subject to a hearing conducted by PDE, and shall be subject to a civil penalty up to \$2,500.

Effective September 28, 2011, amendments to Section 111 of the PSC, 24 P.S. § 1-111(j)(2), brought about through Act 24 required **all current school employees** to submit an “Arrest/Conviction Report and Certification Form” (PDE-6004 Form) to their administrator indicating whether or not they have ever been arrested or convicted of any Section 111(e) criminal offense by December 27, 2011.

School districts are required to verify and have on file a copy of the following information for all employees and contracted employees who transport the District’s students:

1. Driver qualification credentials,<sup>37</sup> including:
  - a. Valid commercial driver’s license with an “S” endorsement, permitting the operation of a school bus.
  - b. Annual physical examination.
2. Criminal History reports/clearances:
  - a. Criminal Background Check
  - b. Federal Criminal History Record
  - c. Pa. Child Abuse History Clearance
  - d. Arrest/Conviction Report and Certification Form PDE 6004.

We reviewed documentation for 30 of 86 contracted drivers because our initial review found that the documentation for 2 of 5 contracted bus drivers lacked a final Pennsylvania criminal background check. The forms for these two drivers contained a designation stating, *Request Under Review*. This designation indicated that the final determination on the background check had not been completed by the Pennsylvania State Police.

On March 21, 2016, we met with the District’s Transportation Coordinator to ask this administrator to obtain the final clearances from the contractor. The administrator obtained the final clearances for the two drivers. One driver had no criminal record and the other had a record, but the type of conviction was one that did not prohibit him from employment as a bus driver. These two drivers transported District students for several months without the District first verifying the drivers had the proper clearances. One driver transported students for approximately eight months and the other for four months before we brought this issue to the District’s attention.

Our review of 25 additional bus drivers found that, although the District maintained the required qualification and clearance documentation, it had not reviewed the

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<sup>37</sup> Pennsylvania Vehicle Code, 75 Pa.C.S. § 1509(a).

*Criteria relevant to the finding  
(continued):*

Furthermore, in Section 1-111(j)(4), all employees subsequently arrested or convicted of a Section 111(e) offense must complete the form within 72 hours of the arrest or conviction and file it with the administrator.

**Act 82 of 2012**, effective July 1, 2012, clarified that the “Arrest/Conviction Report and Certification Form” was supposed to include **Section 111(e) and (f.1) offenses and that the form must be filed by all current and prospective employees.**

**Section 6444.4(1)(ii) of the CPSL**, 23 Pa.C.S. § 6344.4(1)(ii), now requires recertification as follows: “(1) Effective December 31, 2014:\*\*\* (ii) School employees identified in Section 6344(a.1)(1) shall be required to obtain reports under section 111 of the [PSC] . . . , and under Section 6344(b)(2) **every 60 months.**” [Emphasis added.]

documentation for verification of compliance with the requirements.

Because it did not sufficiently review bus drivers’ records, the District was not aware that 2 of the 30 drivers we tested had criminal background checks that were not cleared and then not updated upon clearance. By not maintaining these background check clearances, the District increased the risk that unsuitable drivers may have been transporting District students, thereby potentially risking the safety and welfare of its students.

The District did not implement written policies and procedures to ensure it conducts a timely review and verification of the required documentation to support its contracted bus drivers’ qualifications. When asked why the Board policies do not require specific review and approval procedures regarding bus driver qualifications, the administration acknowledged it needed to address this issue.

### **Recommendations**

The *Moon Area School District* should:

Develop written procedures requiring the timely review and approval of bus drivers and the maintenance of required records, including licenses and background clearance reports. The procedures should include a requirement to timely report the results of the review to the Board. The Board policy should also establish a requirement for reviewing and approving a District report on the status of each bus driver’s qualifications *before* the start of the school year.

### **Management Response**

District management provided the following response:

“Management agrees with the findings and conclusion.

Since notified during the audit of the discrepancies found in bus driver required credentials and criminal history clearances on file, the District’s Transportation Coordinator initiated a review of all current bus driver records to ensure that all required documentation was filed properly.

In the past, the Transportation Coordinator prepared a *monthly* Employee Certification Report, which tracks the certification status of bus drivers' licenses, criminal history clearances, and physicals, which she shared with the bus contractor. As a means to improve oversight, the Transportation Coordinator will now prepare a *weekly* Employee Certification Report to share with the bus contractor. No bus driver is permitted to transport students unless all documentation records on file in the transportation office are current and complete.

The Interim Superintendent and the Transportation Coordinator met with the transportation contractor to review the requirements of the Public School Code and Board Policy to obtain the Board approval of required credentials and criminal history clearances *before* bus drivers are permitted to transport students. Going forward, the Board will approve bus drivers prior to the start of the school year. During the school year, new bus drivers will be approved by the Board prior to the drivers transporting any students. The bus contractor is prohibited to use bus drivers who have not been approved by the Board. Upon Board approval, the District's Transportation Coordinator will notify the bus contractor of the individual's approval to transport Moon Area School District students.

The Pennsylvania School Board Association is in the process of updating *Policy 810 Transportation*. Once available, the Board will update the District's current policy so that it accurately reflects the Commonwealth's laws and regulations that pertain to transportation.

The Interim Superintendent has tasked the Director of Fiscal & School Services to develop written procedures to guide the review and approval of bus drivers and the maintenance of records.”

### **Auditor Conclusion**

We are pleased that the current management of the District is taking appropriate corrective actions on the matters identified in our audit finding. In particular, we are encouraged that the District is establishing policies and procedures to ensure that all drivers meet all necessary employment qualifications prior to Board approval. We will evaluate the implementation and effectiveness of these procedures during our next audit of the District.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the District resulted in no findings or observations.

## **Appendix: Audit Scope, Objectives, and Methodology**

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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, PDE, and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,<sup>38</sup> is not a substitute for the local annual financial audit required by the PSC of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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.

### **Scope**

Overall, our audit covered the period July 1, 2012, through June 30, 2015. In addition, the scope of each individual audit objective is detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal controls<sup>39</sup> to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which 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 controls 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.

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<sup>38</sup> 72 P.S. §§ 402 and 403.

<sup>39</sup> 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; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

## Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the District's basic financial statements for the fiscal years July 1, 2012, through June 30, 2015. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- Governance
- Contracting
- Procurement Cards
- Hiring Practices
- Data Integrity
- School Safety
- Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ Did the District's Board and administration comply with the PSC and its own policies, as well as maintain best practices in overall organizational governance?
  - To address this objective, we conducted in-depth interviews with the interim Superintendent and administrative personnel, reviewed board meeting minutes for the period February 4, 2013, through December 7, 2015, reviewed policies and procedures, and reports used to inform the Board about the District's financial and academic performance to determine if the Board was provided sufficient information to make informed decisions. In addition, we reviewed and analyzed the results of the forensic analysis conducted by Wilkes & Associates, LLP as presented in a report dated January 28, 2016. Finding No. 1, Finding No. 3, Finding No. 4, and Finding No. 5 contain the results of this objective.
- ✓ Did the District ensure that its contracts selected for review were current and were properly obtained, approved, executed, and monitored?
  - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We reviewed the District's board meeting minutes and the results of a forensic audit, which identified three specific contracts with indicators of a high risk of noncompliance with the PSC and/or Board policies. We selected these three contracts for detailed testing. Testing included a review of the procurement documents to determine if the contracts

were procured in accordance with the PSC and District policies. We reviewed documents and interviewed District personnel to determine if the District monitored the selected contracts. We also reviewed a *Project Analysis Report*, dated November 9, 2016, that was prepared by external construction management company. Finally, we reviewed the Board's Statements of Financial Interest to determine if any board member had a documented conflict of interest in approving the selected contracts. Finding No. 4 and Finding No. 5 contain the results of our review.

- ✓ Did the District ensure that its employees complied with District procurement card policies and procedures and that purchases were for District related reasons?
  - To address this objective, we reviewed the District's procurement card policy and interviewed District personnel to determine the process for approving purchases made with the District's procurement cards. We also reviewed the monthly statements for all five administrators' credit cards for the period covering July 1, 2012, through June 30, 2015, and performed detail testing on all 323 of the administrators' purchases. In addition, for the 2013-14 year, we selected 2 of the 16 support staff with the highest total credit card expenses and then selected the three months with the most charges and examined supporting documentation for 122 transactions. Finding No. 2 contains the results of our review.
  
- ✓ Did the District follow the PSC<sup>40</sup> and the District's policy and procedures when hiring new staff?
  - To address this objective, we obtained and reviewed the District's hiring policies. We reviewed the hiring records for all nine employees that held the key administrative positions (Superintendent, Business Manager, or Director) during the period July 1, 2012, through June 30, 2015, to determine if the District complied with the PSC and the District's policy and procedures. Our review of this objective did not disclose any reportable issues.
  
- ✓ Did the District ensure that the nonresident membership data it reported in the Pennsylvania Information Management System was accurate, valid, and reliable?
  - ✓ To address this objective, we reviewed registration information for the District's nonresident students. For eight students enrolled in the 2012-13 school year, six students enrolled in the 2013-14 school year, and four students enrolled in the 2014-15 school year, we verified that each child was appropriately registered with the District. Our review of this objective did not disclose any reportable issues.

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<sup>40</sup> 24 P.S. § 5-508, 24 P.S. § 11-1106, and 24 P.S. § 11-1111.

- ✓ Did the District take actions to ensure it provided a safe school environment?<sup>41</sup>
  - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, and anti-bullying policies. In addition, we conducted on-site reviews at two out of the District's seven school buildings to assess whether the District had implemented basic safety practices.<sup>42</sup> The buildings were chosen due to the new construction that had recently been performed on these two buildings. Due to the sensitive nature of school safety, the results of our review of school safety are shared with District officials and, if deemed necessary, PDE.
  
- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outlined in applicable laws?<sup>43</sup> Also, did the District have written policies and procedures governing the hiring of new bus drivers that would, when followed, provide reasonable assurance of compliance with applicable laws?
  - To address this objective, we selected 30 of the 86 bus drivers hired by the District and District bus contractor, during the period covering July 1, 2014, through June 30, 2015, and reviewed documentation to ensure the District complied with the hiring requirements for bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were designed to ensure compliance with bus driver hiring requirements. Finding No. 6 contains the results of this objective.

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<sup>41</sup> 24 P.S. § 13-1301-A *et seq.*

<sup>42</sup> Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

<sup>43</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8.*

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

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