

SCHOOL DISTRICT OF THE CITY OF YORK  
YORK COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Sam Beard, Board President  
School District of the City of York  
101 West College Avenue  
York, Pennsylvania 17401

Dear Governor Rendell and Mr. Beard:

We conducted a performance audit of the School District of the City of York (SDCY) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 23, 2005 through April 24, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the SDCY complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in five findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 8, 2010

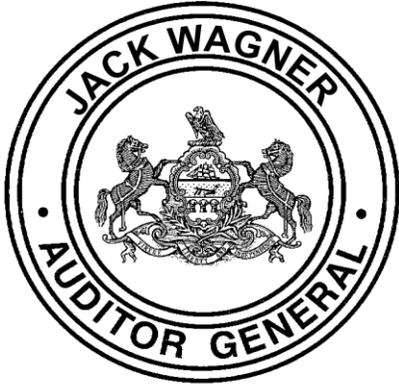
cc: **SCHOOL DISTRICT OF THE CITY OF YORK** Board Members

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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period September 23, 2005 through April 24, 2009, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2005-06 and 2004-05, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

### **District Background**

The SDCY encompasses approximately 5 square miles. According to 2000 federal census data, it serves a resident population of 40,968. According to District officials, in school year 2005-06 the SDCY provided basic educational services to 7,375 pupils through the employment of 440 teachers, 252 full-time and part-time support personnel, and 43 administrators. Lastly, the SDCY received more than \$45 million in state funding in school year 2005-06.

### **Audit Conclusion and Results**

Our audit found that the SDCY complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for five compliance-related matters reported as findings.

#### **Finding No. 1: Membership Reporting Errors Resulted in a \$134,946 Net Underpayment of Subsidies and Reimbursements.**

Our audit of pupil membership records found errors in data reported to the Department of Education (DE), which resulted in a net underpayment of \$134,946 (see page 6).

#### **Finding No. 2: Certification Deficiencies.**

Our audit of the professional employees' certification for the period July 2, 2005 through February 18, 2009, found certification deficiencies (see page 11).

#### **Finding No. 3: Transportation Reimbursement Overpayments of \$21,831.**

Our audit of transportation records found errors in data reported to DE, resulting in overpayments of \$6,866 and \$14,965 for the 2005-06 and 2004-05 school years, respectively (see page 15).

#### **Finding No. 4: Possible Conflict of Interest Transactions.**

Our audit of District records and board members' Statements of Financial Interests found possible conflict of interest transactions (see page 18).

**Finding No. 5: District Files Lacked Evidence of Valid Bus Drivers'**

**Qualifications.** Our audit of bus driver qualifications records found that documentation was not available to confirm that contracted drivers had the appropriate licenses, physicals and clearances required to operate school buses (see page 20).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the SDCY from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the SDCY had not taken appropriate corrective action in implementing our recommendations pertaining to the reporting of membership data (see page 22).

We found that the SDCY not taken appropriate corrective action in implementing our recommendation pertaining to the development of a timeline for grant deadlines; however, no errors were noted during our current audit (see page 24).

We found that the SDCY was not currently complying with our recommendations pertaining to charter school reimbursement; however, no significant errors were noted during our current audit (see page 25).

We found that the SDCY had complied with our recommendations pertaining to health service average daily membership in the prior audit (see page 25).

We found that the SDCY had complied with the recommendations pertaining to the general fund deficit and currently had a surplus balance (see page 26).

We found that the SDCY had complied with our recommendations pertaining to student activity funds (see page 26).

We found that the SDCY had not complied with our recommendations pertaining to certification deficiencies (see page 27).

We found that the SDCY had not complied with our recommendations pertaining to the filing of Statements of Financial Interests (see page 28).

We found that the SDCY had complied with our recommendations pertaining to the development of a policy on bus driver qualifications (see page 28).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period September 23, 2005 through April 24, 2009, except for the verification of professional employee certification which was performed for the period July 2, 2005 through February 18, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with DE reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the SDCY's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

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

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

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

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

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 12, 2006, we reviewed the SDCY's response to DE dated November 15, 2006. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding No. 1

### Membership Reporting Errors Resulted in a \$134,946 Net Underpayment of Subsidies and Reimbursements

*Criteria relevant to the finding:*

Membership data must be reported to the Department of Education (DE) accurately and in accordance with DE guidelines and instructions to ensure that the District received the correct subsidies and reimbursements based on the data.

Section 2503(c) of the Public School Code (PSC) provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Section 1308 of the PSC provides that when the legal residence of students residing in an institution located within a school district cannot be determined, the Commonwealth shall pay the tuition of such students as wards of the state.

Our audit of pupil membership records for the 2005-06 and 2004-05 school years found errors in data reported to the Department of Education (DE). These errors resulted in a net underpayment of \$134,946, as follows:

	<u>(Over)/Underpayments</u>		<u>Total</u>
	<u>2005-06</u>	<u>2004-05</u>	
Tuition for Students Placed			
In Private Homes	\$50,676	\$91,998	\$142,674
Basic Education Funding	(16,254)	7,905	(8,349)
Special Education Subsidy	<u>334</u>	<u>287</u>	<u>621</u>
Net Underpayments	<u>\$34,756</u>	<u>\$100,190</u>	<u>\$134,946</u>

We have provided DE with reports detailing the errors for use in adjusting the District's subsidies and reimbursements.

Due to inadequate review of membership records and supporting documentation, clerical errors in coding students' residency classifications, and errors in the data entered into the computer calendars used to calculate the membership, the following errors occurred:

- Membership for 7 nonresident students in private homes in 2005-06 and 22 nonresident students in private homes in 2004-05 was reported as resident membership;
- The computer calendar days in session did not agree with reported days in session for the 2005-06 and 2004-05 school years;
- Incorrect computer calendar data was used to calculate membership for certain students; this resulted in inaccurate membership data for the 2005-06 and 2004-05 school years;

- District personnel did not report membership days for four nonresident students in private homes in 2005-06, and for 53 resident students in 2004-05, due to clerical oversights;
- Unexplained differences between membership reported to DE and membership printouts provided by District personnel for the 2005-06 and 2004-05 school years;
- District personnel did not prorate nonresident district-paid tuition membership in 2005-06 and 2004-05 for students from other districts who were enrolled part-time in the District's Performing Arts program;
- Membership for one resident student was reported as nonresident institutionalized ward of the state student membership in 2005-06;
- District personnel included nonresident membership in both the resident and nonresident membership totals in 2005-06, resulting in a duplication of membership;
- District personnel reported secondary membership for one term as elementary membership in 2005-06;
- District personnel reported membership for students in the daytime program at York County High School under the incorrect school term in 2005-06;
- District personnel reported membership for a children's aid organization in 2005-06 when membership was already reported by another school district;
- Membership for one nonresident student placed in a private home was included under both the resident and nonresident students placed in private homes membership totals in 2005-06;
- Membership for three nonresident institutionalized wards of the state was reported as resident membership in 2004-05;
- Membership for two resident students was reported as nonresident student placed in private homes membership in 2004-05;

- Membership for two nonresident institutionalized wards of the state was reported as nonresident students placed in private homes membership in 2004-05; and
- District personnel reported more than a full term of membership for one student who was enrolled in both district-operated and Lincoln Intermediate Unit #12 (LIU) classes in 2004-05.

These errors resulted in the following (over)/understatements of membership days:

<u>Classification</u>	<u>Days (Over)/Understated</u>	
	<u>2005-06</u>	<u>2004-05</u>
<u>Resident</u>		
Kindergarten	(125)	-
Elementary	(2,125)	(920)
Secondary	(3,019)	1,619
<u>Nonresident</u>		
<u>Children Placed in</u>		
<u>Private Homes</u>		
Kindergarten	98	-
Elementary	1,229	1,023
Secondary	135	722
<u>Institutionalized State Ward</u>		
Elementary	-	259
Secondary	(156)	285
<u>District-Paid Tuition Students</u>		
Secondary	(540)	(575)

**Recommendations**

The *School District of the City of York* should:

1. Require the child accounting coordinator to consult with DE child accounting personnel to obtain an understanding of the required procedures for maintaining and reporting membership data for the various programs operated by the District.
2. Continue to require the child accounting coordinator to attend training sessions offered by DE and the LIU.

3. Ensure nonresident student membership data reported is adequately reviewed, accurately reported, and supported by placing agency documentation.
4. Ensure computer calendars accurately reflect the days in session for each classification and that the days in session reported to DE and the computer calendar are in agreement.
5. Review membership data reported for years subsequent to the current audit; if errors are noted, submit revised reports to DE.

The *Department of Education* should:

6. Adjust the District's allocations to resolve the net underpayment of \$134,946.

## **Management Response**

Management stated the following:

The membership reporting errors can be attributed to a number of issues:

The district had turnover during the time period with several individuals assisting in the completion of timely filing of PDE reports.

Additionally, due to the volume in the Child Accounting area some of the errors could have resulted due to clerical oversight.

### **Corrective Action:**

York City School District will perform the following:

Residency classification will be reviewed in detail and students will be reported as residents or non-residents and in the proper classification of 1305 or 1306. Additionally, each year the residency listing will be reviewed to ensure it is accurate and updated. Adequate documentation regarding the reporting of membership days will be maintained. . . . In the event time permits, a review of previously submitted (06-07 and 07-08) membership reports will be reviewed and if necessary corrections will be re-submitted to PDE. The Child Accountant will attend

training provided by PDE, LIU 12 and A/CAPA  
[Attendance/Child Accounting Professional Association].

**Finding No. 2** →

**Certification Deficiencies**

*Criteria relevant to the finding:*

Section 1202 of the PSC provides, in part:

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

Section 2518 of the PSC provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Our audit of the professional employees' certification for the period July 2, 2005 through February 18, 2009, found the following certification deficiencies:

- 23 individuals were employed prior to receiving valid Pennsylvania teaching certification. These individuals were assigned as guidance counselor (1), director of special education (1), health & physical education teacher (1), chemistry teacher (1), alternative education teachers (2), English/language arts teachers (4), special education teachers (2), social studies teachers (2), assistant high school principal (1), military science teachers (3), administrative assistants (2), kindergarten teacher (1), school nurse (1), and music teacher (1);
- 10 individuals, certified in various subject areas but not holding any program specialist certification, were assigned to teach in the District's English language learners program. According to Certification and Staffing Policies and Guidelines (CSPG) No. 68 "effective with the school year 2004-2005, all individuals providing English as a second language assistance/services must hold the Program Specialist-ESL [English as a Second Language] certificate";
- One individual certified in elementary education was assigned to Grade 7 language arts, which according to CSPG No. 51 required middle level English certification;
- Two individuals, one certified in earth and space science and the other certified in biology and general science, were assigned to high school chemistry. According to CSPG No. 34, these individuals needed to be certified in chemistry for this assignment;
- One individual certified in social studies and holding an emergency principal's permit for another school district was assigned as a middle school assistant principal. According to CSPG No. 95, this individual needed to be certified as a principal for this assignment;

- One individual holding a day-to-day emergency permit was assigned to a long-term substitute special education position. According to CSPG No. 13, this individual needed a long-term emergency permit for this assignment. The day-to-day emergency permit was valid for only 15 days in this assignment;
- Eight individuals were serving on lapsed Pennsylvania teaching certificates. These individuals were assigned as middle school science teacher (1), special education teachers (4), elementary teacher (1), mathematics teacher (1) and art teacher(1);
- Eleven individuals, some holding Pennsylvania certification and others holding no Pennsylvania teacher certification, were assigned to the following locally titled positions: assistant to the high school principal (1), pre-kindergarten counts coordinator (1), director of teaching, teaching and learning (1), success for all coordinator (2), supervisor of special programs (2), director of student, school and community services (1), assistant to the superintendent (2), and health services manager (1). Since the administration did not seek a determination from the Bureau of School Leadership and Teacher Quality (BSLTQ) of the required certification for each of these positions, we are unable to verify the appropriateness of the assignments.

Information pertaining to the assignments and certificates was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), DE, for its review. BSLTQ subsequently confirmed the deficiencies; the District is therefore subject to subsidy forfeitures of \$26,644, \$16,983, \$11,224 and \$15,133 for the 2008-09, 2007-08, 2006-07 and 2005-06 school years, respectively.

## **Recommendations**

The *School District of the City of York* should:

1. Take the necessary action required to ensure compliance with certification deficiencies.
2. Ensure only properly certified individuals holding current and valid certificates are allowed to teach District students.

The *Department of Education* should:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

## **Management Response**

Management stated the following:

After review of the audit findings, it appears that the vast majority of the findings fall under one or more of the following categories:

1. **Locally Titled Positions.** We have already sent job descriptions to the PDE for review for our locally titled positions, and will do so upon creation in the future. We did utilize the CSPGs when assigning certification requirements to these positions.
2. **Out-of-state and recent graduate hires.** In the past we have anticipated conversion to or initial issuance of PA certification for these new hires. In the future we will allow only a two week grace period, and then require them to apply for an emergency permit until such a time their PA certificate is approved.
3. **Acting Positions.** When people are moved into acting positions due to crisis situations, we will be more mindful of potential certification issues for these individuals.
4. **ESL program specialist certification.** Many of our ELL [English Language Learners] teachers that were cited were new hires from out of state or people who were finalizing requirements but not yet issued certification. The Office of Human Resources will improve communication with the Office of Special Programs to verify which teachers are in fact serving as teachers of record for ESL students so we can verify all are properly certified.
5. **Emergency Certificate Follow-up.** Emergency certification applications were submitted, but permits have not yet been issued by the PDE. The Office of Human Resources has developed a new tracking process to ensure that delays in processing are recognized, and to act as a proactive liaison between the

Bureau of Teacher Certification and our emergency certified staff members. Employees who have their emergency permit applications placed on hold must immediately provide any documentation to the PDE or face suspension from their teaching positions until the emergency permit is issued.

**Finding No. 3**

**Transportation Reimbursement Overpayments of \$21,831**

*Criteria relevant to the finding:*

DE provides the following instructions for its End-of-Year Pupil Transportation Report:

**Number of Days** – Report the number of days (a whole number) this vehicle provided to and from school transportation.

**Daily Miles With/Without** – Report the number of miles per day, to the nearest tenth, that the vehicle traveled with/without pupils. If this figure changed during the year, calculate a weighted average or sample average.

**Pupils Assigned** – Report the greatest number of pupils assigned to ride this vehicle at any one time during the day. Report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned changed during the year, calculate a weighted average or a sample average.

**Amount Paid Contractor** – Report the total amount paid to the contractor for the service described for the vehicles listed. . . .

**Nonpublic School Pupils** – Enter the total number of resident, NONPUBLIC school pupils you transported to and from school.

Our audit of the School District of the City of York’s (SDCY) transportation records for the 2005-06 and 2004-05 school years found errors in data reported to DE, resulting in overpayments of \$6,866 and \$14,965, respectively.

Our review of SDCY’s internal controls found that no procedures were in place to check the clerical accuracy of the various transportation data element calculations prior to the submission of reports to DE. Internal controls are the responsibility of management. Weaknesses in the transportation internal control procedures, as found here, did not provide management with the assurance that data supporting the SDCY’s transportation operations were collected, recorded and reported accurately in accordance with DE’s instructions.

As a result of the internal control deficiency, clerical and mathematical errors in computing the number of days transported, the average number of miles with and without pupils, the greatest number of pupils transported (GPUP), activity run data, contractor costs, and the number of nonpublic pupils transported, resulted in the following errors:

Days Transported

For the 2005-06 school year, one vehicle was incorrectly reported as having transported students for 183 days when it actually transported students only 182 days.

Miles With and Without Pupils

For the 2005-06 school year, miles with pupils was overstated by 5.3 miles/day for one vehicle, and miles without pupils was understated by 1.3 miles/day for two vehicles. For the 2004-05 school year, miles with pupils was overstated by 18.8 miles/day for two vehicles, and miles without pupils was understated by 9.2 miles/day for three vehicles.

### Greatest Number of Pupils Transported

For the 2005-06 school year, the GPUP was overstated by 11.9 students for three vehicles and was understated by 9.0 students for four vehicles for the 2004-05 school year.

### Activity Run Data

For the 2004-05 school year, data for two of the contracted vehicles was reported twice. SDCY personnel reported vehicle data as a regular run and then duplicated the same data and reported it as an activity run, when no activity run transportation had been provided. This resulted in overstatements of the days transported of 83 days, miles with pupils of 30.2 miles/day, miles without pupils of 53.3 miles/day, and number of pupils transported of 8.7 pupils/day.

### Contractor Costs

For the 2004-05 school year, contractor costs were overstated by \$678.

### Nonpublic Pupils Transported

For the 2005-06 school year, SDCY personnel overstated the number of non-public pupils transported by 5.

We have provided DE with reports detailing the errors for use in recalculating the District's transportation reimbursement.

## **Recommendations**

The *School District of the City of York* should:

1. Establish an internal review procedure to ensure the accuracy of transportation data elements calculations prior to that data being reported to DE for reimbursement.
2. Review reports for the years subsequent to the current audit period and, if errors are found, submit revised reports to DE.

The *Department of Education* should:

3. Adjust the District's allocations to recover the overpayments of \$21,831.

**Management Response**

Management stated the following:

The School District of the City of York acknowledges that we were overpaid in 2006-2007 by \$6,866 and 2005-2006 by \$14,965. Reporting errors were made due to new online reporting requirements. We miscomputed miles without students, average number of students and duplicated runs. We will work to make sure these errors do not occur in the future.

**Finding No. 4** →

**Possible Conflict of Interest Transactions**

*Criteria relevant to the finding:*

The Public Official and Employee Ethics Act (Ethics Act) Section 1102 (65 Pa. C.S. § 1102), defines “conflict of interest” as:

Use by a public official or public employee of the authority of his office or employment . . . for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.

Additionally, Section 1103(f) of the Ethics Act provides, in part:

No public official or public employee or his spouse or child or any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated or any subcontract valued at \$500 or more with any person who has been awarded a contract with the governmental body with which the public official or public employee is associated, unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official or public employee shall not have any supervisory or overall responsibility for implementation or administration of the contract.

Our audit of District records and board members’ Statements of Financial Interests (SFI) found possible conflict of interest transactions.

During the 2007 and 2006 calendar years the SDCY contracted with a local agency to provide individuals to serve as greeters, a surveillance technician, and crossing guards; to operate the “Start Something Program;” and to operate the “Pre-Kindergarten program” during the 2007-08 school year. A total of \$132,110 and \$73,147 was paid to the local agency during the calendar years 2007 and 2006, respectively. Since the agency was providing professional services to SDCY, the contracts were not required to be put out for competitive bids.

Our review of the 2007 and 2006 SFIs noted that a board member was employed by the agency as a “Program Director.” SDCY personnel contacted the local agency and were informed that the board member in his capacity as a program director supervised the personnel that were contracted by the SDCY to serve as the greeters, a surveillance technician, and crossing guard services. Our review of the board minutes and discussion with school personnel found that the board member abstained from voting to award his agency any of the contracts, but did not abstain in approving the bill lists that contained the actual payments to his agency.

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

*The School District of the City of York should:*

1. Require that the administration strengthen controls regarding the review of SFIs, to help ensure detection of any potential conflicts of interest.
2. Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the District.

The *State Ethics Commission* should:

3. Review and investigate this possible conflict of interest.

**Management Response**

Management stated the following:

The District Administration and the Board Solicitor has made every attempt to keep Board Members aware of possible conflict of interests. Board Members have been informed to abstain from voting on contracts where possible conflicts of interest occur. Board Members have been approving payments to contracted vendors where a possible conflict of interest has occurred.

**Finding No. 5**



**District Files Lacked Evidence of Valid Bus Drivers' Qualifications**

*Criteria relevant to the finding:*

Pennsylvania Department of Transportation regulations require the following of bus drivers:

- Possession of valid driver's licenses;
- Completion of school bus driver skills and safety training certification; and
- Passing an annual physical examination.

PSC Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees to submit a report of criminal history record obtained from both the Pennsylvania State Police and the Federal Bureau of Investigation (FBI).

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

We reviewed the driver qualification records of all six of the drivers currently employed by the District's transportation contractor and assigned to District routes. Our review, conducted on December 18, 2008, found that District personnel could not provide documentation to verify that:

- One driver held a current valid driver's license or annual physical examination certificate;
- A second driver held a current annual physical examination certificate, child abuse clearance, or Federal Bureau of Investigations (FBI) clearance; and
- A third driver held a criminal history clearance from the Pennsylvania State Police.

Subsequent to our December 18, 2008 review, the contractor provided documentation that:

- The first driver did hold a current valid driver's license, issued April 20, 2006 and valid through June 26, 2010. Also an annual physical examination certificate dated December 17, 2008, was provided. This confirmed that this driver had been driving without the required annual physical examination since September 19, 2008;
- The second driver obtained an annual physical examination dated December 11, 2008, and had been driving without this required examination since October 11, 2008. Additionally, this driver was hired on September 26, 2007 and did not receive the FBI clearance until January 3, 2008, and the child abuse clearance until November 22, 2008. This confirmed that this driver had been driving without the required clearances for more than one year; and
- The third driver had obtained a criminal history clearance dated October 31, 2005. This confirmed that this driver did have the required clearance; however, the District previously had no documentation verifying it.

The ultimate purpose of the minimum requirements for school bus drivers is to ensure the protection of the safety and welfare of the students transported in school buses. The failure of District personnel to require the contractor to provide the required documentation prior to the assignment of the drivers to District routes placed the students at unnecessary risk. In this case, the District was fortunate that the two drivers' criminal history clearances came back without any problems being noted.

Although the District's transportation contract did require that copies of the drivers' criminal history and child abuse clearances be provided to the District, District personnel did not follow-up on this provision and the contractor did not provide this documentation in advance of drivers being assigned to District routes. The failure of District personnel to verify the required driver documentation allowed the absence of the license, physical examinations and clearances to go undetected until reviewed during our current audit.

## **Recommendations**

The *School District of the City of York* should:

1. Enforce the terms of the transportation contract and ensure that the contractor has provided copies of all licenses, physical examinations and clearances prior to drivers being allowed to drive on District routes.
2. Maintain files, separate from the contractor, and ensure that all contracted drivers' licenses, physical examinations and clearances are current and valid.

## **Management Response**

Management stated the following:

The School District of the City of York acknowledges that all necessary clearances, annual physicals and licensing information has not been provided to us by our contracted bus company. We will confer with our contracted carrier to have this information provided to us at the beginning of each school year.

## Status of Prior Audit Findings and Observations

Our prior audit of the School District of the City of York (SDCY) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in nine reported findings and one observation as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the SDCY Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the SDCY did implement our recommendations regarding health services reporting, a general fund deficit and the student activity fund. The District did not implement our recommendations related to membership, state grants, charter school reimbursement, certification and Statements of Financial Interests.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding No. 1: Membership Reporting Errors Resulted in a \$43,420 Net Underpayment</u></i></p> <ol style="list-style-type: none"> <li>1. Consult with DE child accounting personnel to obtain an understanding of the required procedures for maintaining and reporting membership data for the various programs operated by the District.</li> <li>2. Attend training sessions offered by DE and the Lincoln Intermediate Unit #12 (LIU).</li> <li>3. Ensure student membership reported as children placed in private homes is adequately reviewed and is supported by placing agency documentation.</li> <li>4. Ensure student membership reported as</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of pupil membership records for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found errors in data reported to DE that resulted in a net underpayment of \$43,420. This was due to inadequate review of membership records and supporting documentation, clerical errors in coding students’ residency classifications, and errors in the data entered into the computer calendars used to calculate the membership. SDCY management agreed to verify student residence, update calendars to reflect year-end student days and ensure membership from other institutions is reported.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that District personnel had not complied with our recommendations, which resulted in the membership errors detailed in Finding No. 1 of this report (see page 6).</p> <p>Based on additional information provided to DE subsequent to our prior audit, DE computed revised basic education funding and paid the District \$1,331 on August 30, 2007 to resolve the 2000-01 and 2001-02 underpayments. On May 30, 2008, DE recovered \$13,231 to resolve the 2001-02, 2002-03, and 2003-04 overpayments.</p> <p>DE resolved the children placed in private homes reimbursement net underpayment of \$57,685 by deducting \$5,524 from the District’s August 30, 2007</p>

<p>nonresident institutionalized membership is adequately reviewed and is supported by acknowledged or disclaimed forms from other school districts.</p> <p>5. Ensure resident membership is accurately reported.</p> <p>6. Ensure computer calendars accurately reflect the days in session for each classification and that the days in session reported to DE and the computer calendar are in agreement.</p> <p>7. Ensure membership is accurately reported for the York County High School, STRIVE program and the LIU.</p> <p>8. Review membership data for years subsequent to the current audit; if errors are noted, submit revised reports to DE.</p> <p>9. DE should adjust the District's allocations to resolve the new underpayment of \$43,420.</p>		<p>basic education payment and by paying the District a net additional amount of \$63,209 on May 30, 2008.</p> <p>As of April 24, 2009, resolution of the net \$2,375 overpayment of special education subsidy was still pending review by DE personnel. We again recommend that DE adjust the District's allocations to recover the \$2,375 net overpayment.</p>
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<p><u>II. Finding No. 2: District Personnel's Failure to Comply with Grant Provisions Resulted in a \$41,612 Loss of Alternative Education Funds</u></p> <p>1. Develop a timeline delineating when reports are due for state grants so that when staff turnover occurs, new personnel are aware of when applications need to be filed.</p>	<p><b>Background:</b></p> <p>Our prior audit found that District personnel applied for and received a \$92,000 Alternative Education for Disruptive Youth Program grant for the 2001-02 school year. The program operated during the 2001-02 school year at a cost of \$41,612. District personnel submitted a final report requesting reimbursement of the \$41,612 to DE, dated February 4, 2003. DE personnel notified the District that the filing deadline was July 31, 2002, and that the District would not be reimbursed.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that District personnel did not develop a timeline delineating when reports were due for state grants. Current personnel stated they were not aware that such a timeline should be developed.</p> <p>However, our current audit of the Alternative Education grants found that the District did receive the funds it was entitled to.</p> <p>We again recommend that District personnel develop a timeline delineating when reports are due so that when staff turnover occurs, new personnel will be aware of when applications need to be filed.</p>
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<p><u>III. Finding No. 3: Possible School Improvement Grant Net Underpayment of \$23,780</u></p> <p>1. DE should review the propriety of the District's School Improvement Grant (SIG) payments received for the 2002-03, 2001-02 and 2000-01 school years and make any adjustments it deems necessary.</p>	<p><b>Background:</b></p> <p>Our prior audit of the 2002-03, 2001-02 and 2000-01 SIG entitlement found that there may have been errors made by DE in the calculation of grants for the 2002-03 and 2000-01 school years and that the average daily membership (ADM) for all three school years used by DE to calculate the SIG was incorrect, resulting in a possible net underpayment of \$23,780.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that DE paid the District \$15,807 on May 29, 2008 to resolve the 2000-01 underpayment. In its September 21, 2007 response to our audit report, the chief of DE's Division of Subsidy Data and Administration noted that "the finding is considered closed. There is no funding available to provide additional money to the school district." Based on DE's response, we conclude that the District will not be paid the amount due for the 2002-03 school year.</p>
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<p><b><u>IV. Finding No. 4: Incorrect Reporting of Amounts Paid to Charter Schools Resulted in a \$17,430 Reimbursement Net Underpayment</u></b></p> <ol style="list-style-type: none"> <li>1. Reconcile tuition bills and supporting documentation to the District’s “Request for Reimbursement of Charter School Expenditures” (PDE-432) prior to reporting data to DE.</li> <li>2. Ensure costs are reported on the applicable years’ PDE-432 regardless of when paid.</li> <li>3. Ensure deductions made from tuition payments to Lincoln-Edison Charter School for related operating expenses are reported for reimbursement.</li> <li>4. Review subsequent year reports and if errors are noted, file revised reports.</li> <li>5. DE should adjust the District’s allocations to resolve the net underpayment of \$17,430.</li> </ol>	<p><b>Background:</b></p> <p>District personnel incorrectly reported the amount of tuition paid to charter schools for the 2003-04 and 2001-02 school years, resulting in a net reimbursement underpayment of \$17,430.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the individual currently responsible for the filing of the charter school reimbursement applications was not aware of the recommendations contained in our prior report; therefore she could not comment on what previous staff had done, but only that she was not complying with any of the recommendations made. We recommend that current staff become cognizant of the recommendations contained in the prior audit and ensure they comply with them.</p> <p>For our current audit, we found that the reimbursements received were correct.</p> <p>As of April 24, 2009, resolution of the \$17,430 net underpayment was still pending final review by DE personnel. We again recommend that DE adjust the District’s allocations to resolve the net underpayment of \$17,430.</p>
<p><b><u>V. Finding No. 5: Health Services Reimbursement Overpayments of \$15,047</u></b></p> <ol style="list-style-type: none"> <li>1. Ensure ADM is accurately computed and reported.</li> <li>2. Ensure ADM for the York County School of Technology is not reported.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found errors in reporting ADM to the Department of Health (DH), resulting in reimbursement overpayments of \$15,047.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that District personnel complied with our recommendations, and no significant errors were noted.</p> <p>DH resolved the health services overpayments of \$15,047 through a deduction from the District’s</p>

<p>3. Review applications submitted subsequent to our current audit period, and if errors are noted, submit revised reports to DH.</p> <p>4. DH should adjust the District's allocations to recover the overpayments of \$15,047.</p>		<p>May 7, 2008 reimbursement.</p>
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<p><u>VI. Finding No. 6: District Fund Balance Decreased Approximately \$2.8 Million During the Last Four Years</u></p> <p>1. Prepare realistic budgets based on historical data and verifiable revenue projections.</p> <p>2. Use monthly budget status reports to control budgetary activity.</p>	<p><b>Background:</b></p> <p>Our prior audit of the District's annual financial reports, local auditors reports and general fund budgets for the fiscal years ended June 30, 2004, 2003, 2002 and 2001, found the District's fund balance decreased from a \$2,777,562 surplus on July 1, 2001 to a \$0 balance as of June 30, 2004.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that, subsequent to our prior audit, the District's fund balance decreased to a deficit balance of \$3,191,737 at June 30, 2005. The board of directors and District personnel then eliminated approximately 85 positions, sold delinquent taxes, and increased taxes, which resulted in the District's fund balance rising to a surplus balance of \$9,281,993 as of June 30, 2008.</p>
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<p><u>VII. Finding No. 7: Student Activity Fund Controls Require Improvement</u></p> <p>1. Review student activity fund (SAF) accounts and determine whether there is an active organization behind each of the 37 accounts that appear to be inactive or whether the accounts need to be closed.</p> <p>2. Close the administratively controlled account and account for it in the general fund.</p>	<p><b>Background:</b></p> <p>Our prior audit of SAF operations for the 2004-05 school year found that District personnel had not adequately controlled the fund's operations, which resulted in:</p> <ul style="list-style-type: none"> <li>• Failure to remove inactive accounts;</li> <li>• Operation of an administratively controlled account; and</li> <li>• Failure to ensure student related accounts were properly organized.</li> </ul>	<p><b>Current Status:</b></p> <p>Our current audit found that District personnel complied with our recommendations and no significant control issues were noted in the operation of SAFs.</p>
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<p>3. Ensure student-related accounts are properly organized, with officers and by-laws established.</p>		
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<p><u>VIII. Finding No. 8:</u> <u>Certification Deficiencies</u></p> <ol style="list-style-type: none"> <li>1. Require the individuals determined not to be in compliance with certification requirements to obtain proper certification or reassign them to positions for which they are properly certified.</li> <li>2. Put procedures in place to review all positions and assignments to ensure required certification is held by all professional employees.</li> <li>3. Require all professional employees to have valid Pennsylvania certification prior to being hired.</li> <li>4. Create a tracking system to determine time used on provisional certificates to ensure the certificates do not lapse.</li> <li>5. DE should take corrective action to recover the \$35,188 subsidy forfeitures.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of professional employees' certification and assignments for the period March 7, 2003 through July 18, 2005, found the following certification deficiencies:</p> <ul style="list-style-type: none"> <li>• Twenty-four individuals were employed as teachers prior to the issuance of their Pennsylvania certification;</li> <li>• Three individuals were employed as military science teachers but did not hold Pennsylvania teaching certificates;</li> <li>• One individual was employed as an assistant principal but did not hold a Pennsylvania certificate;</li> <li>• Six individuals were assigned to subjects not covered by their areas of certification;</li> <li>• Two administrators and two teachers continued their employment after their Pennsylvania certification had lapsed;</li> <li>• One individual holding certification in the areas of elementary media specialist and elementary principal was employed as the Director of Teaching and Learning. This position requires certification as a Elementary/Secondary Principal or Supervisor of Curriculum and Instruction or a Letter of Eligibility as a Superintendent; and</li> <li>• One individual certified in comprehensive social studies and history was employed as the Director of Technology. This position requires certification as an Instructional Technology Specialist.</li> </ul> <p>Bureau of School Leadership and Teacher Quality upheld these deficiencies in a letter dated September 19, 2005. We computed the District was subject to subsidy forfeitures of \$16,416 and \$18,772 for the 2004-05 and 2003-04 school years, respectively.</p>	<p><b>Current Status:</b></p> <p>Our current audit again found that District personnel did not comply with our recommendations, which resulted in the additional certification deficiencies detailed in Finding No. 2 of this report (see page 11).</p> <p>Based on additional information received by DE subsequent to our prior audit, DE determined the District was subject to subsidy forfeitures totaling \$35,350, which was deducted from the District's December 28, 2006, basic education funding payment.</p>
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<p><u><i>IX. Finding No. 9: Board Members Failed to File Statements of Financial Interests</i></u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of its solicitor in regard to the board’s responsibility when an elected board member fails to file a Statement of Financial Interests.</li> <li>2. Develop procedures to ensure all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. These procedures should include individuals who have left their positions but are required to file a statement for the final year they held them.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of District records, conducted on May 17, 2005, found three former board members failed to file Statements of Financial Interests for the year ended December 31, 2003. As a result of our audit, the board secretary requested the former board members submit their Statements of Financial Interests. As of May 25, 2005, all three members had submitted their statements. Since the forms were to be filed by May 1, 2004, the submission of the Statements of Financial Interests dated May, 2005 was not timely.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the board did not comply with our recommendations and as a result we noted that three members failed to file their Statements of Financial Interests for the calendar year 2007. As a result of our audit review, all three members subsequently filed their statements.</p> <p>A report has been submitted to the State Ethics Commission for its review and determination of any further action it deems necessary.</p>
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<p><u><i>X. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications</i></u></p> <ol style="list-style-type: none"> <li>1. Develop a process to determine on a case-by-case basis, whether prospective and current employees of the District or the District’s transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</li> <li>2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of District records found that neither the District nor the transportation contractor had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual’s continued suitability to be in direct contact with children. We considered this lack of written policies or procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to have direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District complied with our recommendations and the contractor implemented a procedure, effective August 2008, requiring all current drivers to immediately notify their supervisor if they have been charged with or convicted of crimes or child abuse.</p>
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## **Distribution List**

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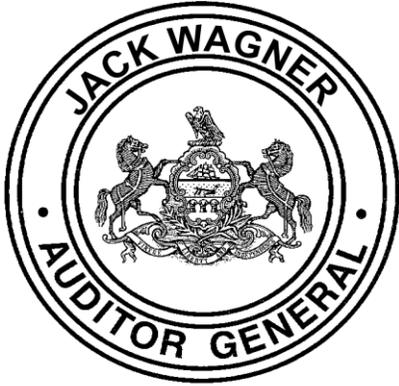
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