



**CORRY AREA SCHOOL DISTRICT
ERIE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JUNE 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dr. Doris P. Gernovich, Board President
Corry Area School District
540 East Pleasant Avenue
Corry, Pennsylvania 16407

Dear Governor Corbett and Dr. Gernovich:

We conducted a performance audit of the Corry Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period August 29, 2011 through September 23, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found significant noncompliance with relevant requirements, as detailed in the three (3) audit findings within this report. A summary of the results is presented in the Executive Summary section of the audit report. These findings include recommendations aimed at the District and the Pennsylvania Department of Education.

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 legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

June 19, 2014

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

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Executive Summary

Audit Work

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

Our audit scope covered the period August 29, 2011 through September 23, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 211 square miles. According to 2010 federal census data, it serves a resident population of 14,849. According to District officials, the District provided basic educational services to 2,124 pupils through the employment of 172 teachers, 106 full-time and part-time support personnel, and thirteen (13) administrators during the 2011-12 school year. The District received \$17,995,406 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the three (3) audit findings within this report.

Finding No. 1: The District Submitted Incorrect Transportation Data, Which Resulted in an Overpayment of \$13,475.

Our audit revealed that the Corry Area School District (District) did not comply in all respects with the State Board of Education Regulations or the Pennsylvania Department of Education. As a result, the District reported inaccurate transportation data and subsequently received subsidy overpayments that totaled \$13,475 (see page 6).

Finding No. 2: Certification Deficiency.

Our audit of the Corry Area School District's professional employees' certificates and assignments for the period July 1, 2011 through August 5, 2013, found that two (2) individuals were assigned to the positions without possessing the proper certification for the 2012-13 school year (see page 10).

Finding No. 3: Continued Failure to Have All School Bus Drivers' Qualifications on File.

Our audit of the Corry Area School District's school bus drivers' qualifications for drivers hired between June 30, 2011 and August 7, 2013, found outdated credentials and incomplete files (see page 12).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Corry Area School District (District) from an audit released on June 3, 2013, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to future superintendent contracts (see page 15) and bus driver qualifications (see page 17), but did take corrective action in implementing our recommendations pertaining to the computation of Social Security and Medicare wages, which were submitted to the Pennsylvania Department of Education for reimbursement (see page 16).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

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

Our audit covered the period July 1, 2010 through June 30, 2012, except for the verification of professional employee certification, which was performed for the period July 1, 2011 through August 5, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

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

Objectives

What is the difference between a finding and an observation?

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

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

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ In areas where the District received transportation subsidies, were the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal 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.

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

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on June 3, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

The District Submitted Incorrect Transportation Data, Which Resulted in an Overpayment of \$13,475

Criteria relevant to the finding:

24 P.S. 25-2541 (d) states that: “the Commonwealth shall reimburse the school districts . . . for the approved reimbursable costs incurred in providing transportation . . . for nonpublic school pupils.”

Chapter 23 of the State Board of Education Regulations, 22 Pa Code § 23.4 states, in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including the following:

(2) The selection and approval of appropriate vehicles . . . and eligible operators who qualify under the law and regulations.

(3) The establishment of routes, schedules and loading zones which comply with laws and regulations. . . .

(5) The furnishing of rosters of pupils to be transported on each school bus run and trip.

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones.

(7) The negotiation and execution of contracts or agreements with contractors . . .

Our audit of the Corry Area School District (District) revealed several internal control weaknesses and noncompliance with Pennsylvania Department of Education reporting instructions, as outlined by the State Board of Education’s regulations. As a result, the District reported inaccurate transportation data, and was overpaid a total of \$13,475.

Nonpublic School Students: Our audit of the District’s 2010-11 and 2011-12 nonpublic student records revealed reporting errors of thirteen (13) students in the 2010-11 school year and 22 students in the 2011-12 school year. The errors resulted in the District receiving nonpublic transportation overpayments of \$8,470 and \$5,005, respectively. In addition, we found that the District did not obtain all rosters, nonpublic student requests for transportation, or nonpublic school calendars in support of provided transportation, as required.

The nonpublic student count errors were attributed to the transportation coordinator being unaware of what PDE considered a nonpublic student and, as a result, included in the nonpublic count students who were educated in alternative and special education programs.

Internal Controls: Our audit of the District’s transportation records found that mileage reported for reimbursement was incorrectly calculated. We also found incomplete or missing documentation, unexplainable procedural changes, and noncompliance with established policies and procedures. These findings were attributed to a breakdown in managerial reporting as the transportation coordinator had limited communication with administration, which resulted in administration’s belief that the transportation area was operating as required by the regulations and requirements of the Commonwealth.

Criteria relevant to the finding (continued):

Section 508 of the Public School Code provides:

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:

. . . Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100). . . .

Instructions for completing the Pennsylvania Department of Education's End-of-Year Pupil Transportation Reports provides that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle. Additionally, the instructions provide that information and data used by the LEA to support the reports should be retained for audit purposes.

Board Approved Pupil Transportation Program: Our review of the District's pupil transportation operations revealed that the District's Board of School Directors (Board) did appropriately approve a bus list, which indicated stop-by-stop for all students assigned to the bus, including those not riding. However, the Board did not approve the vehicles, routes, route descriptions, or mileage as required by Chapter 23 of the State Board of Education Regulations.

The failure to approve all aspects of the transportation operations was attributed to the continuation of the District's practice of revising and re-approving the prior year's operational procedures, as well as a lack of understanding of the State Board of Education requirements regarding pupil transportation.

Although the District's transportation office is responsible for route preparation, our audit found that the District does not prepare route descriptions, but instead relies on drivers to document and map their routes. No follow up is performed to ensure that all route descriptions are received and are accurate, and no District verification is performed to verify that routes are designed efficiently and are in the best interest of the taxpayers, which is required per the District's own *Transportation Procedures Manual*.

Contracts: Our audit of the District's transportation contract found several provisions were not being complied with. Specifically, we found that, although the contractors are required to provide all transportation services for elementary and secondary students—including nonpublic students—to and from school, one (1) contractor refused to adjust his driver's schedule to meet the needs of a nonpublic school student, a direct violation of his contract.

The contract also states, "A copy of all vehicle registrations shall be on file at the District, as well as any District required paperwork, [including rosters, seating charts, and mileage readings] shall be maintained and periodically updated." Our audit found that no vehicle registrations, and/or rosters showing additions and deletions during the year or seating charts, were on file at the District.

In addition, the contract states that “Contractor agrees to maintain all required records for at least seven (7) years after the District makes payment and all pending matters involving service are closed.” Our audit found that the contractors provide nonpublic pupils counts for Amish students transported based on driver information and not on supporting documentation provided by the Amish schools. When asked, no additional data could be provided.

The noncompliance with the contractual terms was attributed to the District’s transportation coordinator not requesting copies of the Board-approved contracts for review and performance verification. Also, as previously stated, there was not an appropriate level of administrative oversight.

It is the responsibility of District management to have in place appropriate internal policies and procedures to ensure that transportation data is collected and reported accurately and timely, and retained for audit, as required. Without such internal controls, the District cannot be assured that it is reporting the correct data or receiving the proper subsidy reimbursement. Moreover, the District is responsible for holding its contractors to the terms of their Board-approved contracts.

Recommendations

The *Corry Area School District* should:

1. Develop appropriate nonpublic pupil policies and procedures that include submission of school rosters, letters of request for pupil transportation, and school year calendars.
2. Update District transportation internal control procedures with an emphasis on open communication between the transportation coordinator and District administrators.
3. Allow the District’s transportation coordinator to attend transportation training, as necessary.
4. Require administration and the transportation coordinator to review the Board of School Director’s Pupil Transportation Program to ensure that it is in

compliance with the requirements of the State Board of Education Regulations.

5. Review the District's current transportation policies and procedures, implement necessary revisions to ensure adherence with PDE instructions and recordkeeping requirements, and maintain all records for audit.
6. Require administration and the transportation coordinator to review the District's transportation contracts to ensure compliance with all contract provisions.
7. Review subsequent PDE reports to ensure the reported information is accurate and that supporting documentation is on file.

The *Pennsylvania Department of Education* should:

8. Withhold the nonpublic school students' overpayment of \$13,475 from future transportation subsidies.

Management Response

Management stated the following:

“The Transportation Director thought that students assigned to other education institutions outside the district, such as an IU operated class, court placed students or special education placements were counted as non-public students. The Transportation Director now knows the difference between these students. The district did not review the non-public list as checks and balance prior to the report being submitted to PDE.

The Business Manager will review all transportation reports prior to submission to PDE and will review all back-up documentation verifying the data being submitted is accurate.”

Auditor Conclusion

We are encouraged that the District is taking steps to address these deficiencies. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Finding No. 2

Certification Deficiency

Criteria relevant to the finding:

Section 1202 of the Public School Code (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 Corry Area School District's (District) professional employees' certificates and assignments for the period July 1, 2011 through August 5, 2013, found that two (2) individuals were assigned to one (1) teaching position in the 2012-13 school year without possessing the proper certification.

The position of reading specialist was filled by one (1) professional employee of the District and a substitute teacher, who was assigned to the position during the leave of absence of the professional employee.

Information pertaining to the assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education, for its review. On October 18, 2013, BSLTQ determined that the employees were improperly assigned, and the District is subject to subsidy forfeiture totaling \$1,77.98.

Failure to make the appropriate assignment was the result of the District relying on the Tuscarora Intermediate Unit 5's (IU) interpretation of the requirements for the teaching assignment. Neither the District nor the IU consulted BSLTQ to ensure that the professional employee was assigned to a position within their certified area.

It is the responsibility of the District's management to have in place internal policies and procedures to ensure that employees are properly certified for their assignments. A lack of appropriate internal controls can lead to uncertified persons teaching certification-required classes and to a loss of state education subsidy.

The District's administration is to be commended for their diligence in reassigning the position when our audit questioned the assignment.

Recommendations

The *Corry Area School District* should:

1. In conjunction with BSLTQ's determination, require District administrative personnel to regularly review the procedures implemented by the current superintendent to ensure that an individual's certification(s) meet the requirements of the assignments the District intends to assign to the individual.

The *Pennsylvania Department of Education* should:

2. Adjust the District's allocations to recover the subsidy forfeitures, accordingly.

Management Response

Management stated the following:

“We agree that there is a possible certification deficiency but waives our reply until PDE responds to the information.”¹

Auditor Conclusion

We are encouraged that the District recognizes the certification deficiency. We will follow up on the status of our recommendation during our next cyclical audit of the District.

¹ As stated in the finding, on October 18, 2013, BSLTQ did determine that the employees were improperly assigned, and the District is subject to a subsidy forfeiture totaling \$1,777.98.

Finding No. 3

Continued Failure to Have All School Bus Drivers' Qualifications on File

Criteria relevant to the finding:

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

Additionally, as of April 1, 2007, under Act 114 of 2006, as amended (see 24 P.S. § 1-111 (c.1)), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who have contact with children, and make determination regarding the fitness of the individual to have contact with children. The Act requires the report to be reviewed in a manner prescribed by the Pennsylvania Department of Education. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

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

Our audit of the Corry Area School District's (District) school bus drivers hired between June 30, 2011 and August 7, 2013, found that drivers' clearances were out-of-date and that not all records were on file at the District. This issue was also a finding in our previous audit of the District, released on June 3, 2013 (see page 17).

We reviewed the personnel records for thirteen (13) bus drivers employed by the District since June 30, 2011. Our audit found one (1) or more exceptions in nine (9) of the thirteen (13) personnel files reviewed.

Our audit also revealed that the District's transportation coordinator had sole responsibility to determine the propriety of bus drivers' credentials prior to the submission to, and approval by, the District's Board of School Directors' (Board). In addition, the District has not developed procedures to ensure that contracted bus drivers did not transport students prior to approval by the Board.

The exceptions were attributed to the transportation coordinator's reliance on contractors to provide the bus drivers' credentials. In addition, there was a breakdown in the internal communication between the transportation coordinator and District administrators.

On August 14, 2013, we informed the transportation coordinator of the missing documentation. We were informed that prior to the Board receiving the bus driver list at the September 3, 2013 meeting, the drivers' files would be reviewed by the transportation coordinator to ensure that the files were in compliance. However, as of September 9, 2013, we learned that District administration had not independently reviewed the bus drivers' files.

Criteria relevant to the finding (continued):

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, known as Act 151, requires prospective employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in a founded report for school employee.

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

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

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

By not having the required bus drivers’ credentials on file, the District was unable to provide full assurance that the contracted drivers were qualified to transport students. Utilization of unqualified drivers could present an increased risk to the safety and welfare of the District’s students. It is the responsibility of District management to ensure the files of its bus drivers are up-to-date, complete, and accurate, regardless of whether the drivers are contracted or are employees of the District.

Recommendations

The *Corry Area School District* should:

1. Update District transportation internal control procedures to include an emphasis on open communication between the transportation coordinator and administration.
2. Require administration to independently review and verify current bus drivers’ credentials and future drivers prior to Board presentation and approval.
3. Require the transportation coordinator to establish a credential checklist to track the receipt of all drivers’ credentials to ensure all files are up-to-date.
4. Review Board established policy to ensure that contractors are not allowed to utilize any driver in the transportation of students prior to the obtaining of all required credentials; the submission of the credentials to the District for review; and receipt of verification that the driver has been properly reviewed and Board approved to transport students.

Management Response

Management stated the following:

“The system used by the Transportation Director to properly organize, file, approve and review these records daily for up to date accuracy was lacking. There also was a lack of communication between the contractors and the transportation office concerning what documentation was needed and when. We have already started to correct this problem by assigning a secretary to the transportation

office and help organize all of the transportation records. We also are working on a written procedural manual specifically stating what records are needed, the timing of when we need these records and when they need to be updated. We will meet with all of our contractors and review the documentation we need from them and the timing of when we need it. The business manager will conduct an internal audit prior to school starting making sure all required documentation is properly on file and ready for board approval.”

Auditor Conclusion

We are encouraged that the District agrees with our finding and is already taking action to address the deficiencies. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Corry Area School District (District) released on June 3, 2013, resulted in three (3) findings, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior findings. As shown below, we found that the District did implement our recommendations related to federal wages but did not implement our recommendations related to future superintendent contracts and bus drivers' qualifications.

Auditor General Performance Audit Report Released on June 3, 2013

**Finding No. 1: The Board Did Not Include Adequate Provisions in its
Employment Contract with the former Superintendent, Leading to
a Costly Buy-Out of the Contract Totaling \$130,000**

Finding Summary: Our prior audit of the District found that the former Superintendent was originally hired on May 9, 2005, for a period of five (5) years, from August 1, 2005 through June 30, 2010. However, on November 17, 2008, slightly over two (2) years and three (3) months into the initial contract, the Board of School Directors approved a new five (5) year contract extending it through November 17, 2013. After having served only two (2) years and nine (9) months of the new contract, the Board approved a Release and Settlement Agreement for \$130,000, effective August 24, 2011.

Recommendations: Our audit finding recommended that the District should:

1. Ensure that future employment contracts contain adequate provisions sufficient to protect the interests of the taxpayers of the District and that these provisions are followed in the event that the employment ends prematurely for any reason.
2. Provide as much information as possible to the taxpayers of the District explaining the reasons for the termination of the Superintendent's employment and justifying the District's expenditure of public funds to buy-out the Superintendent's contract.
3. Ensure that any future terminations are paid out pursuant to the employment contract in effect at the time of the termination.

Current Status: During our current audit, we found that the District did not implement our prior recommendations through inclusion of adequate provisions sufficient to protect the interests of the taxpayers of the District should the Superintendents' employment ends prematurely for any reason. No follow-up finding will be written in this audit.

Finding No. 2: Errors in Reporting Social Security and Medicare Wages and Internal Control Weaknesses Resulted in Reimbursement Overpayments of \$39,397

Finding Summary: Our prior audit of the District found administrative internal control weaknesses that resulted in inaccurate reports being submitted to the Pennsylvania Department of Education (PDE) for Social Security and Medicare wages resulting in overpayments of \$11,427 and \$27,970 for the 2008-09 and 2009-10 school years, respectively.

Recommendations: Our audit finding recommended that the District should:

1. Comply with PDE instructions for the completion of the Reconciliation of Social Security and Medicare Tax Contribution form when reporting wages paid by federal funds.
2. Implement internal control procedures to ensure that wages reported to the Internal Revenue Service (IRS) and PDE are balanced prior to submission of quarterly and annual reports.
3. Determine what corrective action is required to correct the differences in IRS and PDE reports.
4. Perform an internal review of the 2010-11 school years' reports prior to submission to PDE and the IRS with correction, if required.

We also recommended that PDE should:

5. Adjust the District's allocations to resolve the reimbursement overpayments of \$39,397.

Current Status: During our current audit, we found that the District did implement our prior recommendations with no exceptions being noted in our current audit.

Finding No. 3: Failure to Have All School Bus Drivers' Qualifications on File

Finding Summary: Our prior audit of the District's school bus driver's qualification found that the District did not have State minimum required credentials on file for the 2010-11 school year.

Recommendations: Our audit finding recommended that the District should:

1. Ensure that the District maintained files are up-to-date and complete.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to board approval.
3. Ensure that the transportation contractor does not allow any driver to transport students without required board approval.

Current Status: During our current audit, we found that the District had not implemented our recommendations and a follow-up finding is written. See Finding No. 3.

Distribution List

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

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

Mr. Robert Caruso
Acting Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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