

PERFORMANCE AUDIT

Apollo-Ridge School District Armstrong County, Pennsylvania

September 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • 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

Mr. Gregg Primm, Board President
Apollo-Ridge School District
Post Office Box 219
Spring Church, Pennsylvania 15686

Dear Governor Corbett and Mr. Primm:

We conducted a performance audit of the Apollo-Ridge 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 September 23, 2011 through April 4, 2014, 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 that the District complied, in all significant respects, with relevant requirements, except as detailed in two (2) findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

September 18, 2014

cc: **APOLLO-RIDGE SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding No. 1 – Internal Control Weakness in Reporting Pupil Transportation Data	5
Finding No. 2 – Failure to Have Established Internal Controls Relating to Contracted Bus Drivers’ Qualifications	8
Status of Prior Audit Findings and Observations	10
Distribution List	11

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Apollo-Ridge School District (District) in Armstrong 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.

Our audit scope covered the period September 23, 2011 through April 4, 2014, 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 70 square miles. According to 2010 federal census data, it serves a resident population of 9,519. According to District officials, the District provided basic educational services to 1,405 pupils through the employment of 111 teachers, 81 full-time and part-time support personnel, and ten (10) administrators during the 2011-12 school year. The District received \$12 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for two (2) compliance related matters reported as findings.

Finding No. 1: Internal Control Weakness in Reporting Pupil

Transportation Data. Our audit of the Apollo-Ridge School District's pupil transportation records and reports submitted to the Pennsylvania Department of Education for the 2010-11 and 2011-12 school years found a lack of documentation supporting reimbursements of \$966,538 and \$911,060 for the 2010-11 and 2011-12 school years, respectively. Documentation could not be provided to support the totals reported for miles with students, miles without students, and the greatest number of pupils transported for each bus (see page 5).

Finding No. 2: Failure to Have Established Internal Controls Relating to Contracted Bus Drivers' Qualifications.

Our audit of the Apollo-Ridge School District's bus drivers' qualifications revealed missing Federal Bureau of Investigation's Criminal History Record Information (see page 8).

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

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 September 23, 2011 through April 4, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through March 10, 2014.

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 pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ In areas where the District received transportation subsidies, was 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?
- ✓ 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?

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

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

Findings and Observations

Finding No. 1

Internal Control Weakness in Reporting Pupil Transportation Data

Criteria relevant to the finding:

State Board of Education regulations:

22 Pa. Code § 23.4 outlines the responsibilities of the district board of school directors:

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

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

Instructions for completing 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.

Our audit of the Apollo-Ridge School District's (District) pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) found a lack of documentation supporting reimbursements of \$966,538 and \$911,060 received for the 2010-11 and 2011-12 school years, respectively.

The District could not provide the necessary supporting documentation to allow the auditors to verify the totals reported for miles with students, miles without students, and the greatest number of students transported for each bus. We found that the District only retained a computer spreadsheet and relied on the bus contractor to retain the supporting documentation. However, the District experienced a change in bus contractors for the 2012-13 school year.

At the auditors' request, the District contacted the bus contractor employed at the time to obtain the necessary documentation. Unfortunately, the information was not complete, and what was provided did not match the data submitted to PDE.

If the District personnel had performed an internal review, they would have been aware that support documentation was not on hand and could have obtained the necessary information and at that time would have been aware that verification of reported totals could not be performed.

Additionally, in April of each school year, PDE provides the local education agencies (LEA) with a preliminary report summarizing the transportation data reported during the previous school year. Proper internal review procedures would require that the LEAs use this report to review and verify that the data reported was accurate.

In summary, the State Board of Education regulations clearly dictates that the responsibility for maintenance of support documentation lies with the District and not the contractor.

Daily miles with students, miles without students, and the greatest number of students transported are all integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with the State Board of Education regulations and guidelines.

The failure to retain detailed pupil transportation documentation to support data submitted to PDE for reimbursement resulted in the auditor not being able to verify that the District received the correct pupil transportation reimbursement entitlement for the school year.

Recommendations

The *Apollo-Ridge School District* should:

1. Prepare and retain verifiable supporting documentation to miles with students, miles without students, and the greatest number of students transported reported to PDE.
2. Perform a review of subsequent years' data to ensure supporting documentation was prepared and retained, and ensure accurate data was reported and resubmit, if necessary, to PDE.

Management Response

Management stated the following:

“The District disagrees with this observation being recorded as a written finding. The written finding refers to backup information kept for mileage records and students transported. Monthly spreadsheets, in regard to mileage, were maintained by the District’s former bus contractor and submitted to the Business Office for accuracy verification. Past audits found the spreadsheets to be adequate documentation. The former contractor was contacted and did supply hand-written, bus driver recorded odometer readings for certain buses. Student rosters for the buses

were provided by the District. The current transportation contractor provides monthly documentation, recorded by the bus drivers in regards to mileage (odometer readings). These forms are currently kept on file in the District.”

Auditor Conclusion

We are encouraged that the District now receives and files documentation to support the transportation data reported for reimbursement. As it is stated in the finding, it is the responsibility of the District, not a contractor, to maintain supporting documentation for reimbursement.

As far as the District’s assertion that previous audits found the spreadsheets to be adequate documentation, previous audits did not include this audit objective. Therefore, we would not have concluded on their adequacy either way.

We will follow up on the status of our recommendations during our next cyclical audit of the District.

Finding No. 2

Failure to Have Established Internal Controls Relating to Contracted Bus Drivers' Qualifications

Criteria relevant to the finding:

Under Act 114 of 2006, as amended, Section 111 of the Public School Code, 24 P.S. § 1-111 (c.1), states, in pertinent part:

“Beginning April 1, 2007, administrators shall maintain on file with the application for employment a copy of the Federal criminal history record . . .”

Our audit of the Apollo-Ridge School District's (District) bus drivers' qualifications revealed missing Federal Bureau of Investigation's Criminal History Record Information (CHRI).

Our audit of 23 bus drivers revealed the District did not have on file the CHRI for 6 bus drivers. District personnel stated they had originally received and reviewed the CHRI for the six (6) drivers but had misplaced them and, as a result, had to request new ones for our audit.

On March 25, 2014, we learned the District received a copy of the CHRI for all six (6) bus drivers. No indication of criminal activity was noted on any of the CHRI forms. Noncompliance with Act 114 of 2006, as amended, was caused by a lack of appropriate internal controls relating to retaining the CHRI to review for the audit.

By not having the required CHRI forms 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.

Recommendations

The *Apollo-Ridge School District* should:

1. Ensure that District personnel are familiar with the provisions of Act 114 of 2006.
2. Establish procedures to ensure the CHRI is obtained and reviewed prior to Board of School Directors approval of contracted drivers to ensure completeness and appropriateness.
3. Ensure that all CHRI forms are retained at the District for audit.

Management Response

Management stated the following:

“The District disagrees with the observation being recorded as a written finding. Upon initial observation, six bus driver[s] personnel files did not contain printout copies of the FBI clearances (Act 114), although the Child Abuse (Act 151) and State Police (Act 33) clearances were present. As the District was unable to retroactively produce documents in the “Cogent System”, new clearances were immediately redone with no issues. [Superintendent] and [Administrative Assistant] both attested that a chart had been kept on the clearances and concurred that no one was permitted to drive without all proper clearances in place. All files are presently in order for years ended June 30, 2011 and 2012. In the future District personnel will be more careful in regard to filing documentation.”

Auditor Conclusion

We are encouraged that the District will be more careful in the filing of documentation. While we acknowledge that District employees can attest that the clearances were in place, the Public School Code requires actual documents be on file at the entity so not to rely on someone’s word. As stated in the finding, clearances for six (6) drivers were not on file. Therefore, the finding will stand as presented.

Status of Prior Audit Findings and Observations

Our prior audit of the Apollo-Ridge School District resulted in no findings or observations.

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

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

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.