



CHICHESTER SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

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

Mr. William J. Lawler III, Board President
Chichester School District
401 Cherry Tree Road
Aston, Pennsylvania 19014

Dear Governor Corbett and Mr. Lawler:

We conducted a performance audit of the Chichester School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 21, 2010 through September 11, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements.

On July 23, 2012, the Department of the Auditor General (Department) initiated a special audit of the former Superintendent's resignation from the District, in order to verify that the District did not engage in a contract buy-out. This performance audit covered the period August 26, 2006 through January 4, 2009, and was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. This performance audit was separate and distinct from the District's cyclical performance audit, which was conducted simultaneously and the results of which are described in following pages of the audit report. The Department conducts its cyclical performance audits approximately every two years.

The Department's special audit of the former Superintendent's resignation from the District contract found that the District complied, in all significant respects, with the applicable state laws, contracts, and administrative procedures related to our specific audit objectives. However, the Department still strongly recommends that the Commonwealth's local education agencies try to avoid prematurely altering the employment of their contracted employees. Our audit work has shown that engaging in such changes frequently leads to the inappropriate and/or inefficient use of taxpayer dollars. Consequently, we will continue to monitor these issues.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

June 10, 2013

cc: **CHICHESTER 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 Chichester School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, 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 September 21, 2010 through September 11, 2012, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 11 square miles. According to 2010 federal census data, it serves a resident population of 24,445. According to District officials, the District provided basic educational services to 3,480 pupils through the employment of 299 teachers, 284 full-time and part-time support personnel, and 26 administrators during the 2009-10 school year. Lastly, the District received \$18.1 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as noted below, we identified one compliance-related matter reported as a finding.

Finding: Continued School Bus Drivers' Qualifications Deficiencies. Our current audit of bus drivers' personnel files found that five bus drivers were transporting students without having proper qualification information on file at the District (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District from an audit released on December 15, 2010, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to the school bus drivers' lack of proper qualification documentation (see page 8). In addition, although the District did not implement our prior recommendations regarding internal control weaknesses in administration policies regarding bus drivers' qualifications, the District did comply with the new legal requirements in this area. Therefore, we did not repeat our prior observation.

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 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 21, 2010 through September 11, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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 applicable state laws, 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:

- ✓ 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?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?

- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did 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?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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, 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 applicable laws, contracts, grant requirements, and administrative procedures. 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 applicable state laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objective. We assessed whether those controls were properly designed and

implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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

Our audit examined the following:

- Records pertaining to bus driver qualifications, state ethics compliance, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 15, 2010, we reviewed the District's response to PDE dated December 13, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Continued School Bus Drivers' Qualifications Deficiencies

Criteria relevant to the finding:

Public School Code (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 information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired. This section of the PSC goes on to say:

“Administrators shall require the applicant to submit with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Pennsylvania Department of Education.”

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.

Our prior audit of bus drivers' qualifications found that the Chichester School District (District) employed 13 bus drivers who did not possess the required qualification documentation. Our current audit of the District's bus drivers' files found that 5 of 34 drivers did not have Act 151 child abuse clearances and 2 of the 5 drivers did not have Act 114 Federal Criminal Background History.

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

1. Possession of a valid driver's license.
2. Completion of school bus driver skills and safety training.
3. Passing a physical examination.
4. Lack of convictions for certain criminal offenses.
5. Federal Criminal History Record (Act 114).
6. Official child abuse clearance statement (Act 151).

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained further under criteria, the fourth and fifth requirements were set by the Public School Code of 1949, as amended. The sixth requirement was set by the Child Protective Services Law. In addition, when bus drivers change employers, they must obtain new clearances.

Additionally, Section 111 provides, in Section 7(b) in part:

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

Administrators shall require contractors to produce the original document for each prospective employee of such contractor prior to employment.

Since this was a finding in our prior audit report, we reviewed the personnel records of all 34 bus drivers currently employed by the District. During our fieldwork we informed District management of the missing documentation and instructed them to immediately obtain the necessary documents to ensure the drivers' are properly qualified to continue to have direct contact with children. As of the end of our fieldwork on September 11, 2012, the District provided us with 3 of the 5 Act 151 clearances and both of the Act 114 clearances. The District's failure to ensure that all bus drivers were properly licensed and had the required child abuse clearance requirements and criminal history record checks, not only violates the provisions of the law detailed previously in this finding, but may also have placed District students at unnecessary risk.

Recommendations

The *Chichester School District* should:

1. Immediately obtain the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Establish procedures to obtain and retain the required qualifications for all drivers which transport students. This procedure should also ensure that the District's files are up-to-date and complete.

Management Response

Management repeated their response from our prior audit stating the following:

"District Administration acknowledges that internal controls in the hiring process need to be strengthened in regards to adhering to Board policy and State mandates for applicant bus driver's proper documentation deficiencies.

The [following] outline [is our] revised corrective action hiring procedure,[which is] effective immediately. In addition all Chichester School District employees will be expected to sign, return and adhere to the Standards of Conduct form to be placed in their personnel file.

1. Applicant packets are received via Internet.
2. Transportation Department reviews applicant(s) on-line.
3. Transportation Department interviews applicant(s).
4. Once recommended by the Transportation Department, applicant(s) return(s) to the Education Center (Human Resources office) to receive new hire paperwork.
5. Applicant(s) completes all required paperwork and returns information to the Education Center, Human Resources Office.
6. Paperwork is held in an applicant file until all information is submitted and required certifications/Clearances are reviewed.
7. After all information is reviewed and approved by the Human Resources Office, the applicant(s) is/are added to the Board agenda for hire.
8. A spreadsheet is to be completed in the Human Resources office to include but not limited to names, dates, and items received. In addition, driver's licenses will be verified on an on-going basis to avoid any/all lapse in expiration.”

Status of Prior Audit Findings and Observations

Our prior audit of the Chichester School District (District) released on December 15, 2010, resulted in one finding and one observation. The finding pertained to school bus drivers lacking proper documentation, and the observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. 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 District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did not implement recommendations related to school bus drivers lacking proper documentation or the internal control weaknesses in administrative policies regarding bus drivers' qualifications.

Auditor General Performance Audit Report Released on December 15, 2010

Finding:

School Bus Drivers' Lacked Proper Documentation

Finding Summary:

Our prior audit of the District's school bus drivers' qualifications found that not all drivers possessed the required documentation to operate a school vehicle. Two lacked a valid commercial driver's license, seven did not have criminal histories, six did not have child abuse clearances and two did not have federal criminal history records.

Recommendations:

Our audit finding recommended that the District:

1. Immediately obtain the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Establish procedures to obtain and retain the required qualifications for all drivers who transport students. This procedure should also ensure that the District's files are up-to-date and complete.

Current Status:

Through our current audit procedures, we found that the District did not implement our recommendations (see the finding, page 6).

Observation: **Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

Observation Summary: Our two prior audits found that the District did not have written policies or procedures to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses that should be considered for determining an individual's continued suitability to be in direct contact with children.

Recommendations: Our audit observation recommended that the District:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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.
2. Implement written policies and procedures to ensure that the District is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any convictions of a current employee should lead to an employment action.

Current Status: Our current audit found that the District did not implement our recommendations. However, the District did follow the requirements of Act 24 of 2011. Act 24 provides that PDE shall develop a standardized form to be used by current and prospective employees of public schools for the written reporting by current and prospective employees of any arrest or conviction for an offense enumerated under [this Act] (this form is known as the PDE-6004). Within 90 days of the effective date (September 28, 2011), all current employees of a public school shall complete the PDE-6004, indicating whether or not they have been convicted of an offense enumerated under [this Act]. Act 24 goes on to provide that if the arrest or conviction for an offense enumerated under [this Act] occurs after the effective date, the employee shall provide the administrator or designee with written notice utilizing the PDE-6004 no later than 72 hours after an arrest or conviction.

Although the District did not comply with our prior recommendations, it did establish a process for addressing the issue of current employees' continued qualifications. Therefore, we did not repeat this observation.

Distribution List

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

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

