



**CRAWFORD CENTRAL SCHOOL DISTRICT  
CRAWFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**APRIL 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

Ms. Jan Van Tuil, Board President  
Crawford Central School District  
11280 Mercer Pike  
Meadville, Pennsylvania 16335

Dear Governor Corbett and Ms. Van Tuil:

We conducted a performance audit of the Crawford Central School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 23, 2009, through January 20, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 five findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings, observation, 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,

/s/

EUGENE A. DEPASQUALE  
Auditor General

April 24, 2013

cc: CRAWFORD CENTRAL SCHOOL DISTRICT 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 Crawford Central 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 23, 2009, through January 20, 2012, 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 2009-10 and 2008-09.

### **District Background**

The District encompasses approximately 156 square miles. According to 2010 federal census data it serves a resident population of 30,668. According to District officials, in school year 2009-10 the District provided basic educational services to 4,291 pupils through the employment of 335 teachers, 216 full-time and part-time support personnel, and 25 administrators. Lastly, the District received more than \$23.7 million in state funding in school year 2009-10.

### **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 for five compliance-related matters reported as findings. In addition, one matter unrelated to compliance is reported as an observation.

**Finding No. 1: Errors in Reporting Pupil Membership for Nonresident Children Placed in Private Homes Resulted in a Net Reimbursement Underpayment of \$85,956.** Our audit of pupil membership reports submitted to the Pennsylvania Department of Education for the 2009-10 and 2008-09 school years found errors in the reporting of pupil membership days for children placed in private homes. The errors resulted in a net underpayment of \$85,956 (see page 7).

**Finding No. 2: Certification Deficiencies.** Our audit of professional employees' certification for the period July 1, 2009, through October 27, 2011, found two individuals do not hold the proper certification for their positions, subjecting the District to subsidy forfeitures for the 2011-12, 2010-11, and 2009-10 school years (see page 10).

**Finding No. 3: Board Fails to Properly Govern School District.** Our audit of the District found that over the past several years, the District's managerial activities lacked an appropriate level of oversight, resulting in violations of the Public School Code (see page 12).

**Finding No. 4: School Board President Violation of Public School Code and a Possible Conflict of Interest.** During our audit of the 2009-10 and 2008-09 school years, we noted the District purchased goods from a business in which the board president is a part owner, which is a violation of the Public School Code and District policy (see page 15).

**Finding No. 5: Failure to Have All School Bus Drivers' Qualifications on File.** Our audit of the District's school bus drivers' qualifications for the 2011-12 school year found that not all records were on file at the time of audit (see page 17).

**Observation: Memoranda of Understanding with Local Law Enforcement Not Updated Timely.** Our audit found that the Memoranda of Understanding between the District and the police departments with jurisdiction over school property, setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property, were updated in June and July of 2011. However, it had not previously been updated in more than three years (see page 20).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the District from an audit we conducted of the 2007-08 and 2006-07 school years, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to reimbursement for pupil transportation, internal control issues, Social Security and Medicare reimbursements, noncompliance with the Public School Code and Sunshine Act, and improper use of Capital Reserve Funds. However, the District had not taken appropriate corrective action in implementing our recommendations pertaining to school bus drivers' qualifications (see pages 22 through 29).



## 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 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 23, 2009, through January 20, 2012, except for the verification of professional employee certification, which was performed for the period July 1, 2009, through October 27, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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:

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

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ 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?
- ✓ In areas where the District receives transportation subsidies, are the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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 does 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 members free from apparent conflicts of interest?
- ✓ 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, 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, observation, and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observation, 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 IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements and administrative procedures 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 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/reimbursement, 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.

Additionally, we interviewed selected 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 April 6, 2011, we reviewed the District's response to PDE dated February 6, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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*Criteria relevant to the finding:*

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since this is a major factor in determining the District's subsidies and reimbursements.

PDE provides regulations and guidelines governing the classification of nonresident children placed in private homes.

Section 1305 of the Public School Code (PSC), 24 P.S. § 1305, provides for Commonwealth payment of tuition for nonresident children placed in private homes.

Section 2503(c) of the PSC, 24 P.S. § 2503(c), specifies the amount of Commonwealth-paid tuition on behalf of nonresident children placed in private homes by providing, in part:

"Each school district, regardless of classification, which accepts any nonresident child in its school under the provisions of section one thousand three hundred five . . . shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per secondary pupil as the case may be. . . ."

### **Errors in Reporting Pupil Membership for Nonresident Children Placed in Private Homes Resulted in a Net Reimbursement Underpayment of \$85,956**

Our audit of the Crawford Central School District's (District) pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 and 2008-09 school years found errors in the reporting of pupil membership days for children placed in private homes. The errors resulted in a net underpayment of \$85,956.

During our audit of the 2009-10 nonresident membership records, we found that PDE final membership reports did not correctly reflect the membership days for the District's children placed in private homes (foster students).

Prior to the 2009-10 school year, PDE was using two child accounting reporting systems, the Pennsylvania Information Management System (PIMS) and the Child Accounting Data system. Beginning with the 2009-10 school year, PIMS was the only process PDE used for reporting pupil membership. PIMS requires districts to enter specific residency codes for students who were placed in private homes (foster students) from outside districts.

The District's child accounting personnel were unaware of the appropriate coding requirements when they entered the residency codes for the "funding district" and the "district of residence" into the PIMS program. As a result, District personnel reported the same codes for the "funding district" and the "district of residence." This lack of understanding resulted in the students being identified to PDE as resident foster students rather than nonresident foster students.

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending District Charter School Code. Therefore, PDE requires that student records are complete with these data fields.

The nonresident foster student membership days for the 2009-10 school year that should have been reflected in the final Summary of Child Accounting Membership Report are as follows:

Elementary	179.0 days
Secondary	1,755.0 days
Area Vocational-Technical School	89.5 days

After the proper coding is made to correct the students' residency classification, the District will be entitled to \$95,496 in Commonwealth-paid tuition for nonresident children placed in private homes.

For the 2008-09 school year, the District reported two resident students placed in a private home (foster students) within the District as nonresident foster students, resulting in an overstatement of 212 secondary days for children placed in private homes. The error was clerical in nature and could have been prevented had the District performed a review of the child accounting data prior to the submission to PDE. As a result, the District received an overpayment of \$9,540 in tuition for children placed in private homes.

Thus, the errors from 2009-10 and 2008-09 resulted in a net underpayment of \$85,956.

Nonresident pupil membership data must be maintained and reported in accordance with PDE's guidelines and instructions, since it is a major factor in determining the Commonwealth's payments of tuition for children placed in private homes.

We have provided PDE with reports detailing the errors for use in recalculating the District's tuition for children placed in private homes.

## Recommendations

The *Crawford Central School District* should:

1. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students' classifications are aligned with PDE's PIMS user manual.

2. Review reports for school years subsequent to our audit years for pupil classification accuracy and revise them if necessary.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to resolve the net underpayment of \$85,956.

## **Management Response**

Management stated the following:

The Crawford Central School District will:

1. Carefully perform an internal audit prior to submission of pupil membership reports to [P]DE to ensure all students are classified correctly; and
2. Review reports for school years subsequent to the audit years for pupil classification accuracy, and revise them if necessary.

## Finding No. 2

### *Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC), 24 P.S. § 1202, 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, 24 P.S. § 2518, requires forfeiture for uncertified teachers by providing, 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 Pennsylvania 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.”

## Certification Deficiencies

Our audit of the Crawford Central School District’s (District) professional employees’ certification for the period July 1, 2009, through October 27, 2011, found the following deficiencies:

- two individuals employed as technology integration specialists and two individuals employed as literacy integration specialists for the 2011-12 school year do not hold the proper certification for their positions; and
- three individuals employed as school-based prevention specialists for the 2011-12, 2010-11, and 2009-10 school years do not hold public school certificates.

The deficiencies were due to the District’s belief that the individuals were properly certified for their positions.

Information pertaining to the assignments was submitted to the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. On December 9, 2011, BSLTQ confirmed the employees were not properly certified, which subjected the District to a subsidy forfeiture of \$4,189 for the 2010-11 school year and \$3,961 for the 2009-10 school year. The subsidy forfeiture for the 2011-12 school year could not be calculated due to the applicable aid ratio needed for forfeiture calculation not being available at the time of audit.

The *Crawford Central School District* should:

1. Put procedures in place to compare employee’s certification to the certification requirements of the assignments the District intends to give the employee.
2. Require the employees to obtain proper certification as required for the positions or reassign the individuals to an area in which proper certification is held.

The *Pennsylvania Department of Education* should:

3. Adjust the District’s allocations to recover the subsidy forfeitures.

## Recommendations



## **Management Response**

Management stated the following:

The Crawford Central School District will:

1. Put procedures in place to compare employee's certification to the certification requirements of the assignments the District intends to give the employee; and
2. Require the employees to obtain proper certification as required for the positions or reassign the individual's to an area in which proper certification.

### Finding No. 3

### Board Fails to Properly Govern School District

*Criteria relevant to the finding:*

Section 1089(a) of the Public School Code (PSC), 24 P.S. § 10-1089(a), provides:

“A governing board of a school entity may employ or continue to employ a person serving in the function of business administrator of the school entity who shall perform such duties as the governing board may determine, including, but not limited to, the business responsibilities specified in Section 433 of this act.”

Section 1075 of the PSC, 24 P.S. § 10-1075, provides, in pertinent part:

“The board of school directors at any convention electing a district superintendent or an assistant district superintendent shall determine the amount of salary to be paid such district superintendent or assistant district superintendent which compensation shall be paid out of the funds of the district. . . .”

Section 508 of the PSC, 24 P.S. § 5-508, provides, in pertinent part:

“The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects: . . .

Fixing salaries or compensation of officers, teachers, or other appointees of the board of school directors. . . .”

Our audit of the Crawford Central School District (District) found that over the past several years, the District’s managerial activities lacked an appropriate level of oversight, resulting in violations of the Public School Code (PSC).

#### Appointment of Professional Employees

Our review of the minutes of school board meetings found that the compensation for a new professional employee was not specifically approved by the board of directors.

On February 28, 2011, the board of directors approved a resolution to hire the director of elementary curriculum, technology, and title programs effective April 21, 2011. However, the board did not set a salary for this employee. On May 10, 2011, the superintendent informed the payroll department that this position would be placed on the 5<sup>th</sup> step of the approved Act 93 Administrative Compensation Plan.

Our review of the Act 93 Administrative Compensation Plan, which was effective July 1, 2009, noted that the plan did not include a definition for the position titled director of elementary curriculum, technology and title programs. This new position was a merger of two positions already in place at the District.

The Act 93 plan states, “if there are changes affecting this plan, or new positions to be covered by this plan, the designated Act 93 representatives will be notified and a meeting scheduled to discuss the proposed changes.”

No documentation was available to show such a meeting took place. In addition, it is the board’s ultimate responsibility to approve the salaries of personnel within the District.

District personnel failed to provide an explanation as to why salaries were not board approved and included in the board meeting minutes.

The PSC further provides at 24 P.S. § 4-440:

“The treasurer of each school district shall deposit the funds belonging to the school district in the school depository, if any, as directed by the board of school directors, and shall at the end of each month make a report to the school controller, if any, and to the secretary of the board of school directors, of the amount of funds received and disbursed by him during the month. All deposits of school funds by any treasurer shall be made in the name of the school district.”

In addition, the Public Official and Employee Ethics Act, 65 Pa.C.S. § 1103(j), provides, in part:

“Voting Conflict. - . . . Any public official . . . who in the discharge of his official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his interest as a public record in a written memorandum filed with the person responsible for recording the minutes of the meeting at which the vote was taken. . . .”

Additionally, it should be noted that one of the board members has a spouse employed by the District, who is currently serving as an elementary principal and is covered under the Act 93 plan. However, this board member did not abstain from voting on the July 25, 2011 resolution to extend the current Act 93 Administrative Compensation Plan from June 30, 2013, to June 30, 2014.

### Approval of Contract

Our review of the minutes of school board meetings found that on July 25, 2011, the board of directors approved the teacher’s contract between the District and the Crawford Central Education Association (CCEA). This contract was not included as an addendum in the official minute book. As of February 7, 2012, the District did not have a signed contract with the CCEA.

The signed contract was not available at the conclusion of our audit due to a dispute over the contract’s language. The District and the CCEA have agreed to arbitration to settle the dispute, which may cause additional financial expense for the District.

### Treasurer’s Reports

Our review of the District’s board minutes from July 2010 through February 2011 found no evidence that the treasurer’s reports were presented to the board of school directors for approval. The PSC requires the treasurer of each school district to furnish the board of directors with a report of the financial position of the District. Without the presentation of these reports, the Board cannot have a clear understanding of the financial standing of the District.

In a memo written to the auditors dated December 20, 2011, the business manager stated that on May 24, 2010, the board approved a new bank as treasurer for the District. The business manager’s memo stated that this approval created unique problems for the business office for reconciling cash to the 31 bank statements and bank accounts used by the District, and went on to say that “the treasurer’s report was not to be placed on the board agenda until all bank accounts were reconciled. We now have three people trained in the Crawford Central way of reconciling bank statements and have added a new part

time accounting position. All statements are now reconciled monthly.”

On March 28, 2011, the District began retroactively approving treasurer’s reports for June and July 2010. The August 2010 treasurer’s report was approved on April 18, 2011, and the treasurer’s reports from September 2010 through July 2011 were approved on September 26, 2011.

Failing to approve salaries, maintain contracts, and appropriately present the monthly financial activity to the board of directors are violations of the PSC.

**Recommendations**

The *Crawford Central School District* should:

1. Ensure that the board of directors approves individual professional salaries at an open board meeting.
2. Ensure the board of directors has a written contract to review prior to approval.
3. Ensure treasurer reports are presented to the board of directors on a monthly basis for approval.

**Management Response**

Management stated the following:

The *Crawford Central School District* will:

1. Ensure that the Board of Directors approves individual professional salaries at an open Board meeting;
2. Ensure the Board of Directors has a written contract to review prior to approval; and
3. Ensure treasurer reports are presented to the Board of Directors on a monthly basis for approval.

## Finding No. 4

## School Board President Violation of Public School Code and a Possible Conflict of Interest

### *Criteria relevant to the finding:*

Section 324 (c) of the Public School Code, 24 P.S. § 3-324(c), provides:

“It shall not be a violation of this section for a school district to contract for the purchase of goods and services from a business with which a school director is associated to the extent permitted by and in compliance with 65 Pa.C.S. Ch. 11 (relating to ethics standards and financial disclosure).”

Section 1102 of the Public Official and Employees Ethics Act (Ethics Act), 65 Pa.C.S. § 1102, defines “conflict” or “conflict of interest” as use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public 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.

Section 1103(a) of the Ethics Act, 65 Pa.C.S. § 1303(a), provides that no public official shall engage in conduct that constitutes a conflict of interest.

Section 1103(f) of the Ethics Act, 65 Pa.C.S. § 1303(f), provides that no public official or public employee or his spouse or child of 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 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.

During our audit of the 2009-10 and 2008-09 school years, we noted that the District purchased goods from a business in which the board president is a part owner. The board member did not abstain from voting on this purchase, which is a violation of the Public School Code (PSC) and the District’s board policy, and potentially a violation of the Public Official and Employees Ethics Act (Ethics Act).

As required by the Ethics Act, the board president filed her Statement of Financial Interests (SFI) for the 2010 calendar year on March 7, 2011, and for the 2009 calendar year on February 15, 2010. In both instances, she disclosed a 50 percent ownership of a photo supply business. The Ethics Act specifically requires public officials to disclose matters on the SFI that currently or potentially create conflicts of interests with their public duties.<sup>1</sup>

For the 2009-10 school year, the District purchased photography supplies in the amount of \$2,230. In the 2008-09 school year, the District purchased digital cameras and general supplies in the amount of \$1,116. Purchases for both years were from the same business which the board president indicated she maintained a 50 percent ownership interest. Our review of board minutes found that the board president did not abstain from voting on the payment of these bills, as required by the Ethics Act. Moreover, this action conflicts with requirements in Section 324(a) of the PSC and the District’s own policy. Specifically, District Board Policy #004, Section 11, states: “No school director shall, during the term for which he was elected or appointed, as a private person engaged in any business transaction with the school district in which he is elected or appointed, be employed in any capacity by the school district in which he is elected or appointed, or receive from such school district any pay for services rendered to the district. . . .”

<sup>1</sup> Pennsylvania statute, 65 Pa.C.S. 1105(b)(5), requires that Statements of Financial Interests include: “The name and address of any direct or indirect source of income totaling in the aggregate of \$1,300 or more.”

Section 1103(j) of the Ethics Act, 65 Pa.C.S. § 1103(j), provides, in part:

“Voting Conflict - . . . Any public official . . . who in the discharge of his official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his interest as a public record in a written memorandum filed with the person responsible for recording the minutes of the meeting at which the vote was taken. . . .”

A copy of this finding will be forwarded to the State Ethics Commission for its determination as to whether a conflict of interest exists and for additional review and investigation, as it deems necessary.

## **Recommendations**

The *Crawford Central School District* should:

1. Until a determination is made by the State Ethics Commission, the District should immediately cease from doing business with the company in which the board president reported she is part owner.
2. Comply with the PSC and the District’s board policy.

## **Management Response**

Management stated the following:

The *Crawford Central School District* will:

1. Immediately cease from doing business with the company in which the Board President is part owner; and
2. Comply with the Public School Code and the District’s Board Policy.

**Finding No. 5** →

**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 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 criminal 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 will have contact with children, and make a 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.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa.C.S. § 6355, known as Act 151, requires prospective school 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.

Our audit of the Crawford Central School District's (District) school bus drivers' qualifications for the 2011-12 school year found that not all records were on file at the time of audit.

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.

We reviewed the personnel records of 51 of 109 contracted bus drivers currently employed by the District. The drivers were selected at random by using a random number generator.

Based on this review, we found that the District did not have the federal criminal history record for three drivers on file at the time of our audit.

Effective December 1, 2008, the Pennsylvania Department of Education (PDE) began using new procedures for obtaining federal criminal history background checks of prospective public school and private school employees and their contractors. Under the new system, PDE will provide access to federal criminal history record information online to approved hiring entities (public and private schools) via a secure web site.

District personnel were unaware of the change in procedures. Consequently, they failed to have these federal criminal history records on file.

By not having required bus drivers' qualification documents on file at the District, the District was not able to review the documents to determine whether all drivers were qualified to transport students and to have direct contact with children. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

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.

District Board Policy #810.3 reads:

“The school district shall verify qualifications of bus drivers for each transportation contractor prior to the commencement of every school year.”

Moreover, the District’s failure to verify the qualifications of its bus drivers was in violation of its own policy, District Board Policy #810.3.

On January 10, 2012, we informed District management of the missing documentation and instructed them to immediately obtain the necessary documents so they could ensure the drivers are properly qualified to have direct contact with children.

As of completion of our fieldwork on January 20, 2012, District personnel had provided a copy of the federal criminal history record for only one of the three drivers noted in this finding. We found no concerns regarding the qualifications of the one driver for which documentation was provided.

Finally, in reviewing the qualifications of school bus drivers, the Department of the Auditor General considers the PSC’s Section 111 crimes where the convictions are beyond the five year look back period, as well as other crimes deemed serious by the Department of the Auditor General, but not included in Section 111 of the Public School Code.

Our review based on this criteria noted that two of the District’s current drivers have criminal convictions defined as serious crimes by the Department of the Auditor General beyond the five-year look back period. The District is aware of these convictions and stated that it places high reliance on the contractor’s hiring process before the drivers are brought to the board for final approval.

While these crimes do not, under the PSC, disqualify the individuals absolutely from employment, we believe they clearly relate to an applicant’s suitability to work closely with children. Therefore, we recommend that these crimes should at least be considered on a case-by-case basis in evaluating an applicant’s overall qualifications.

## Recommendations

The *Crawford Central School District* should:

1. Ensure all bus drivers’ qualifications documents are on file prior to hiring them to transport students.



2. Ensure that all the bus drivers' personnel files are kept up-to-date.

**Management Response**

Management stated the following:

The Crawford Central School District will:

1. Ensure all bus driver's qualifications documents are on file prior to hiring them to transport students; and
2. Ensure that all the bus driver's personnel files are kept up-to-date.

## Observation

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### Memoranda of Understanding with Local Law Enforcement Not Updated Timely

*Criteria relevant to the observation:*

Section 1303-A(c) of the Public School Code, 24 P.S. § 13-1303-A(c), as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . .”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means an event that occurs every two years.

Prior to the enactment of additional Memorandum of Understanding (MOU) requirements on November 17, 2010, all public schools were required to develop a MOU with local law enforcement.

Additionally, a Basic Educational Circular issued by the Pennsylvania Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions item B of this sample states:

“This Memorandum may be amended, expanded or modified at any time upon written consent of parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.”

Our audit found that the Memoranda of Understanding (MOU) between the Crawford Central School District (District) and the police departments with jurisdiction over school property, setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property, were updated in June and July of 2011. However, it had not previously been updated in more than three years, since February 2008.

The failure to update MOUs with all pertinent police departments could result in a lack of cooperation, direction, and guidance between District employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

In addition, recently enacted amendments to the safe schools provisions of the Public School Code (PSC) expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with the Pennsylvania Department of Education’s (PDE) Office of Safe Schools on a biennial basis. Consequently, future failure to update their MOU every two years will cause the District to violate this new provision of the PSC.

**Recommendations**

The *Crawford Central School District* should:

1. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the PSC to ensure compliance with amended safe schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with PDE's Office of Safe Schools on a biennial basis as required by law.

**Management Response**

Management stated the following:

The *Crawford Central School District* will:

1. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the Department of Education's Office of Safe Schools on a biennial basis as required by law.

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

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Our prior audit of the Crawford Central School District (District) for the school years 2007-08 and 2006-07 school years resulted in five reported 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 recommendations. We analyzed the District Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the District did implement recommendations related to four of our findings, but failed to implement corrective action regarding school bus drivers' qualifications.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Finding No. 1: Reporting Errors, Internal Control Weaknesses, and Lack of Documentation Supporting Reimbursement for Pupil Transportation and Tax Exempt Fuel Usage**

Finding Summary: Our prior audit of the District's pupil transportation records and the transportation reports submitted to PDE for the 2007-08 and 2006-07 school years found reporting errors, internal control weaknesses, and a lack of documentation supporting reimbursements of \$1,583,710 and \$1,565,832, respectively, as well as a lack of documentation supporting payments to the transportation contractors and the usage of tax exempt fuel.

Recommendations: Our audit finding recommended that the District:

1. Prepare and maintain records of odometer readings between all bus stops and pertinent loading zones, as required by the State Board of Education Chapter 23 regulations.
2. Present detailed actual bus route descriptions for all routes with mileage and pupil rosters annually (prior to the beginning of the school year) for board review and approval, with periodical updates as needed.
3. Request copies of current Pennsylvania Department of Transportation hazardous walking route approvals.
4. Prepare and retain on file District source documentation used to report pupil transportation data to PDE, including the number of nonpublic pupils transported, the weighted averaging for pupils that enter,

withdraw, or relocate within the District, and when bus route mileages change.

5. Conduct an internal review to ensure the daily mileage, number of hazardous walking route pupils, the amount paid the contractors, the greatest number of pupils, days of service, and the number of non-reimbursable pupils was accurately reported.
6. Ensure the amount paid to the contractors is in accordance with the approved contract rates and miles established by the board.
7. Ensure the accuracy of the invoices submitted to the District for payment by the contractors and require adequate supporting documentation.
8. Ensure adequate current liability insurance coverage is provided by each contractor at the beginning of each school year, and that the District is listed as the additional insured, in accordance with the contracts. Documentation verifying the coverage should be retained in District files.
9. Ensure that District personnel become more involved in keeping pupil transportation supporting documentation provided by the contractor, and perform an internal review to ensure the accuracy of data submitted to PDE for reimbursement.
10. Establish internal control procedures for payments made to the contractors and vendors, including District business office review for appropriateness and accuracy, ensuring separation of duties exists in the payment process.
11. Establish procedures to monitor the fuel usage to ensure all tax exempt fuel purchased is used for school-related purposes only.
12. Require the pupil transportation contractors to provide evidence of the actual usage of all tax exempt fuel purchased, for Pennsylvania Department of Revenue (PDR) review. (PDR is responsible for determining the actual fuel tax liability.)
13. Enable the transportation director to attend any seminars regarding the proper collection, maintenance, and submission of transportation data.
14. Review transportation reports submitted to PDE for years subsequent to those we audited, and ensure the reported information is accurate and supporting documentation is on file to support all data reported for each bus.

Our audit finding also recommended that PDE:

15. Consider withholding future pupil transportation reimbursement payments until the District prepares and retains supporting documentation as required by Chapter 23 regulations, Section 518 of the Public School Code, and instructions for completing PDE's End-of-Year Pupil Transportation Reports.

Our audit finding also recommended that PDR:

16. Review the District's internal controls and actual usage of tax exempt liquid fuel purchased by the District and utilized by the pupil transportation contractors.

Current Status:

During our current audit procedures, we found that the District implemented all but one recommendation. Recommendation No. 7 remains a weakness. During our audit of the transportation records for the 2009-10 school year, it was noted that the amount reported to PDE for contractor payments was overstated by \$52,885 for two of the three contractors who provided transportation services to the District. When asked for source documentation to support the totals reported, District personnel could not provide any documentation on the differences. If the District had appropriate internal review controls in place, such reporting discrepancies would have been noticed prior to submission to PDE. It should be noted that for the current audit review period, the overstatement had no monetary effect on the District's transportation reimbursement.

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**Finding No. 2:**

**Failure to Have All School Bus Drivers' Qualifications on File and Transportation Contractors' Failure to Comply with Transportation Contracts**

Finding Summary:

Our prior audit of the District's school bus/van drivers' qualifications for the 2008-09 school year found that the District did not have on file the required licenses and clearances for each driver, and the board did not receive for review or approval the list of hired drivers. Additionally, two of the three contractors did not comply with the contract provision requiring them to submit required bus/van driver documentation for approval to the District prior to the start of the school year.

Recommendations: Our audit finding recommended that the District:

1. Ensure that the District's transportation director reviews each driver's qualifications prior to that person transporting students.
2. Maintain files at the District, separate from the transportation contractors' files, for all District drivers, and work with the contractors to ensure that the District's files are up-to-date and complete.
3. Require the transportation contractors to adhere to provisions of the contracts and provide the District with the documents identified in the contract prior to the beginning of the school year.
4. Require District administrative personnel to ensure all bus drivers' qualifications are on file, and if not, mandate that the contractors do not utilize the bus drivers until adequate documents are provided to District administrative personnel.
5. Ensure board approval of the bus drivers utilized by the contractors prior to the start of each school year and any drivers added throughout the school year.
6. Check with the District's solicitor regarding District liability for failure to obtain, verify, and retain bus drivers' qualifications, especially drivers currently driving without the required documentation.
7. Require the pupil transportation contractors to immediately cease permitting the bus drivers identified during our audit as not having complete qualifications to transport students to and from school.

Current Status: During our current audit procedures, we found that the District had not implemented our recommendations. Please refer to Finding No. 5 in the current report (see page 17).

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**Finding No. 3: Internal Control Weaknesses and Lack of Documentation Regarding Verification of Social Security and Medicare Reimbursements**

Finding Summary: Our prior audit of the District's Social Security and Medicare wages reported to PDE for reimbursement in the 2007-08 and 2006-07 school years found a lack of internal control procedures in the District's business office. District personnel were unable to provide supporting documentation relating to the identification, reporting, reconciliation, and verification of actual federally funded program wages and benefits.

Therefore, we were unable to verify the District's state reimbursements of \$916,268 and \$931,221, respectively.

Recommendations: Our audit finding recommended that the District:

1. Require the Business Office and Federal Programs Office personnel to perform an internal review to ensure the accuracy of the federal wages reported and retain supporting documentation of the actual reportable wages paid to each employee with eligible federal funds.
2. Perform an internal review of reports submitted in school years subsequent to our current audit period for the accuracy of federal wages reported and resubmit if necessary.

Our audit finding also recommended that PDE:

3. Review the propriety of the reimbursements received for the audit years.

Current Status: During our current audit procedures, we found that the District did implement the recommendations. On May 2, 2011, the District submitted a revised reconciliation of Social Security and Medicare tax contributions for the 2009-10 school year to restate the federal wages. In addition, the District had supporting documentation showing that the 2008-09 school year wages were appropriately reported.

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**Finding No. 4: Noncompliance with the Public School Code and Sunshine Act**

Finding Summary: Our prior review of the minutes of the District board of directors' meetings and of related district administrative actions found deficiencies in the board's Committee of the Whole meetings, administrative action, and paying of bills, as well as a lack of board approval of contracts.

We found that the board's Committee of the Whole meetings, held the week prior to the regular monthly board meetings, were advertised as committee meetings and included the following agenda items: curricular/extracurricular and personnel policy, building and grounds, transportation and food service, and finance. The advertisements did not indicate that official action could occur.



Our prior review of the board minutes found that on May 18, 2009, the board of directors approved the appointment of a new assistant board secretary, effective July 1, 2009. The board action did not provide compensation for the appointment.

Our prior audit found that the board, at the regularly scheduled monthly meeting, received a listing of bills for payment approval, along with supporting invoices. Our review of the board minutes found that payments for goods and services were made from the District's general fund during the 2006-07, 2007-08, and 2008-09 school years, for which there were no board-approved contracts on file at the District.

Our audit also found that the District paid the City of Meadville for tax collection. Payment to the city treasurer was based on 1/3<sup>rd</sup> of the cost for the tax collection fees and related expenses. No detailed documentation was provided by the city nor requested by the District to verify the District's actual share. A signed contract between the city, county, and the District for the service that was provided to us was dated February 26, 1985.

Recommendations: Our audit finding recommended that the District:

1. Have the District's solicitor review the advertisement of the board's Committee of the Whole meetings and board actions taken at the meetings to ensure compliance with the Sunshine Act.
2. Implement corrective actions to ensure the District's superintendent adheres to provisions of the Public School Code.
3. Seek the advice of the solicitor in regard to the board's responsibility when an administrator fails to adhere to provisions of the Public School Code and official board action.
4. Establish internal controls to ensure the District's administration does not make payments for purchases of items/services for which no official board action has been taken.
5. Ensure the District is in compliance with Section 508 of the Public School Code by requiring District administrators to obtain and retain written contracts for board approval and require District personnel to obtain supporting documentation to verify the accuracy of invoices received.

Current Status: During our current audit procedures, we found that the District did implement our recommendations. The District's solicitor, the board president, the business manager, and a representative from the Department of the Auditor General (Department) met on May 3, 2011, to discuss the concerns noted in the finding. In a letter from the District's solicitor to the Department's representative dated May 24, 2011, the District noted that corrective actions were made.

Additionally, on June 27, 2011, the board approved an increase in the compensation paid to the confidential secretary to the superintendent to cover the duties of attending the board meetings and transcribing the minutes of the meetings.

Finally, our current review found appropriate invoices were on file for the payments made to the City of Meadville for the security needs of the District.

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**Finding No. 5: Improper Use of Capital Reserve Funds and Lack of Administrative Oversight**

Finding Summary: Our prior review of the board of school directors' approved meeting minutes and the District's financial records found that, during the 2007-08 school year, the District's Capital Reserve Fund (also called the Capital Improvement Fund) was improperly used for general fund purchases. The account was under the control of the District's director of building, maintenance, grounds and transportation with no additional administrative oversight.

Recommendations: Our audit finding recommended that the District:

1. Ensure the Capital Reserve Fund is being utilized for board approved purposes and is being operated in compliance with the Public School Code, board policy, and sound business practices.
2. Transfer funds back to the Capital Reserve Fund for all general operating expenses noted in the finding or provide documentation that expenditures were in accordance with rules and regulations for Capital Reserve Funds.

Our audit finding also recommended that PDE:

3. As the state's educational regulatory agency, review the finding and determine what further action, if any, should be taken.

Current Status:

During our current audit procedures, we found that the District did implement our recommendations. The District made appropriate adjustments from the General Fund to the Capital Reserve Fund to reimburse the Capital Reserve Fund for expenditures that were identified by the auditors as being not appropriate.



## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us), and the following:

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

Mr. Robert Caruso  
Acting Executive Director  
State Ethics Commission  
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The Honorable Ronald J. Tomalis  
Secretary of Education  
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The Honorable Robert M. McCord  
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