

DONEGAL SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2012

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

Mr. Oliver Overlander III, Board President
Donegal School District
1051 Koser Road
Mount Joy, Pennsylvania 17552

Dear Governor Corbett and Mr. Overlander:

We conducted a performance audit of the Donegal School District (DSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 22, 2009 through November 1, 2011, 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 DSD 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 DSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve DSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the DSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 1, 2012

cc: **DONEGAL SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Donegal School District (DSD). 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 DSD in response to our prior audit recommendations.

Our audit scope covered the period December 22, 2009 through November 1, 2011, 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 DSD encompasses approximately 35 square miles. According to a March 2011 local census it serves a resident population of 18,010. According to District officials, in school year 2009-10 the DSD provided basic educational services to 2,810 pupils through the employment of 210 teachers, 158 full-time and part-time support personnel, and 16 administrators. Lastly, the DSD received more than \$10.7 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the DSD 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: School Bus Drivers Lacked Required Clearances. Our audit of bus drivers' qualifications found that six school bus drivers were transporting DSD students prior to obtaining the proper clearances (see page 6).

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



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

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

Our audit covered the period December 22, 2009 through November 1, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2011 through October 3, 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 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, contract, policy, 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 DSD'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?
- ✓ 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 pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ 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 do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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

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.

DSD 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. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

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

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

Our audit examined the following:

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

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

Findings and Observations

Finding

School Bus Drivers Lacked Required Clearances

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 PDE. 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.

Our audit of the District's transportation contractor's bus driver files as of October 17, 2011, found that at the time of providing services to the Donegal School District (DSD) not all drivers had the required clearances on file.

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 and 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; and
6. Official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained further in the box to the left and on the following page, the fourth and fifth requirements were set by the PSC of 1949, as amended. The sixth requirement was set by the Child Protective Services Law.

We reviewed the personnel records of a random sample of 5 of the 38 drivers currently employed by the transportation contractors. Our review found that three drivers were lacking the clearances required to transport students. We expanded our sample to include an additional 20 drivers for a total of 25 drivers. As a result of our review, we found that a total of 6 bus drivers were transporting students without the required documentation on file, as follows:

	Pennsylvania Criminal History Record Information (Act 34)		Federal Criminal History Record Information (Act 114)		Child Abuse Clearance Statement (Act 151)	
	None	> 1 year *	None	> 1 year *	None	> 1 year *
Driver A	✓		✓		✓	
Driver B		✓	✓			✓
Driver C	✓		✓		✓	
Driver D	✓					
Driver F		✓		✓		✓
Driver G		✓	✓			✓
Totals	<u>3</u>	<u>3</u>	<u>4</u>	<u>1</u>	<u>2</u>	<u>3</u>

*The designated contractor employees did have the required clearances. However, the clearances were more than one year old at the time they began transporting DSD students.

Act 34

One of the three drivers not possessing an Act 34 clearance was hired by the contractor in 1978 prior to the effective date of Act 34 (January 1, 1986) to transport students for another school district. The contractor thought he was grandfathered for the clearance. However, he started transporting DSD students in October 2011. The other two drivers, hired after the effective date of Act 34, failed to obtain the clearances. Three drivers did possess

Act 34 clearances. However, the clearances were more than a year old when they started transporting DSD students in August 2010. The failure to obtain Act 34 clearances is in violation of Section 111 of the PSC and the failure to possess clearances less than one year old at the time of transporting DSD students is in violation of Chapter 8 of the State Board of Education Regulations.

Act 114

Three drivers were hired by the contractor in 1978, 2001 and 2007 respectively, prior to the effective date of Act 114 (April 1, 2007). The contractor thought they were grandfathered for the clearance. However, they began transporting DSD students in October 2011, August 2010 and August 2010, respectively. The fourth driver, hired after the effective date of Act 114, had the required clearance but it was more than one year old at the time he started transporting DSD students in August 2010. The fifth driver, hired after the effective date of Act 114, failed to obtain the clearance.

Act 151

One driver was hired by the contractor in 1978, prior to the effective date of Act 151 (July 1, 1996) to drive for another district and the contractor thought he was grandfathered for the clearance. However, he began transporting DSD students in October 2011. Another driver, hired after the effective date of Act 151, failed to obtain the clearance. Three drivers, hired after the effective date of Act 114, had the required clearance but it was more than one year old at the time they started transporting DSD students in August 2010.

District personnel noted that the contractors believed the clearances to be valid based on the drivers start date with the contractor. However, the drivers started transporting DSD students subsequent to the effective dates of Act 114 and Act 151. As a result, DSD does not have an official baseline to determine the fitness of the drivers transporting their students.

This internal control weakness could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

On October 17, 2011, we informed District management of the out-dated and missing Act 34, Act 114 and Act 151 clearances. On October 27, 2011 the District provided three driver's Act 34 clearances noting no criminal records. As of our fieldwork completion date of November 1, 2011, DSD had not received the two remaining Act 34 clearances, the Act 114 clearances or the Act 151 clearances. The remaining driver moved out-of-state and no longer works for the contractor.

We also found one driver had been convicted of driving under the influence of alcohol and/or a controlled substance in 1989. This driver began driving for the District in February 2011 but the District was unaware of this conviction. The contractor is a private school who obtains the Federal Bureau of Investigations (FBI) clearances and the District does not request to see the clearances. When this issue was brought to their attention, District personnel noted they will request to see the clearances so they can discuss issues like this on a case-by-case basis.

The District's failure to obtain and retain criminal history record checks, FBI clearances and child abuse clearances not only violates the provisions of the law detailed previously in this finding, but may also place students at unnecessary risk, if the driver had a criminal record which would bar employment or an indication of child abuse.

Recommendations

The *Donegal School District* should:

1. Ensure that files documenting bus drivers' qualifications are up-to-date and complete. Any file found to be lacking required documentation including driver's license, S endorsement, annual physical exam card, Pennsylvania criminal history, FBI clearance and child abuse clearances should be updated immediately.
2. Create and maintain a master tracking sheet so that all drivers' qualifications are accurately recorded.

3. Create policies and procedures to review all drivers' files before submitting them to the school board for approval.

Management Response

Management stated the following:

The district understands the need to ensure that all bus drivers employed by the contractor have current clearances that confirm no convictions of offenses that would jeopardize student safety. Effective immediately, the following procedure will be put in place and communicated in writing with our contractor:

1. The contractor shall send the following information to the District's Transportation Coordinator for all bus drivers who will provide student transportation in the Donegal School District before any routes are assigned:
 - a. The name and address of the driver.
 - b. A copy of current Driver's License.
 - c. A copy of School Bus Certificate (S endorsement).
 - d. A copy of Physical Exam form.
 - e. A copy of the Act 34 Pennsylvania Criminal History record that was issued within one year of the first date of service in the Donegal School District.
 - f. A copy of the Act 151 Child Abuse Clearance that was issued within one year of the first date of service in the Donegal School District.
 - g. A copy of the Act 114 FBI Criminal History Clearance record that was issued within one year of the first date of service in the Donegal School District.
 - h. A copy of an Act 24 form (went into effect September 28, 2011) that was completed by the driver within one year of the first date of service in the Donegal School District.
2. The District's Transportation Coordinator will review the documentation presented.

- a. All information will be verified to ensure that it is complete and current. If any information is missing or outdated the Contractor will be contacted to provide the additional or updated information.
 - b. If the background check lists no offenses, the name of the bus driver shall be presented to the School Board for approval.
 - c. If the background check lists an offense, the report shall be shared with the Business Administrator and/or Superintendent for review. If the offense disqualifies the driver from serving, the application shall be rejected. If the offense does not disqualify the driver from serving, the name shall be presented to the School Board for approval.
3. Following approval by the School Board, the Transportation Coordinator will notify the Contractor that the driver may be placed into service.
 4. In the event that a driver is needed prior to the next regularly-scheduled Board Meeting, the Transportation Coordinator may grant provisional approval of the driver in the event that all documentation as noted above has been received and is satisfactory.

This procedure will be followed for all transportation contractors who provide service to students residing in the Donegal School District and that have a contract with the Donegal School District to provide services.

Status of Prior Audit Findings and Observations

Our prior audit of the Donegal School District resulted in no findings or observations.

Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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