

EPHRATA AREA SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Timothy W. Stayer, Board President
Ephrata Area School District
803 Oak Boulevard
Ephrata, Pennsylvania 17522

Dear Governor Rendell and Mr. Stayer:

We conducted a performance audit of the Ephrata Area School District (EASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 27, 2007 through July 8, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 EASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in three findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit findings and recommendations have been discussed with EASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve EASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the EASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 27, 2010

cc: **EPHRATA AREA SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Certification Deficiency	6
Finding No. 2 – Failure to Report Mileage and Pupil Data to the Department of Education in Accordance With Reporting Guidelines Resulted in Unverifiable Reimbursements	8
Finding No. 3 – School Bus Driver Qualification Deficiencies	10
Status of Prior Audit Findings and Observations	12
Distribution List	13



Executive Summary

Audit Work

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

Our audit scope covered the period September 27, 2007 through July 8, 2010, 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 2006-07 and 2007-08.

District Background

The EASD encompasses approximately 44 square miles. According to 2000 federal census data, it serves a resident population of 30,458. According to District officials, in school year 2007-08 the EASD provided basic educational services to 4,000 pupils through the employment of 316 teachers, 199 full-time and part-time support personnel, and 16 administrators. Lastly, the EASD received more than \$14.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the EASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for three compliance-related matters reported as findings.

Finding No. 1: Certification Deficiency.

Our audit of professional employees' certification found one individual was employed as a school nurse with an inactive certificate during the 2008-09 and 2007-08 school years (see page 6).

Finding No. 2: Failure to Report Mileage and Pupil Data to the Department of Education in Accordance With Reporting Guidelines Resulted in Unverifiable Reimbursements.

Our audit of the EASD 2007-08 and 2006-07 school years' transportation data found that mileage and pupil data were not computed as required by Department of Education's (DE) guidelines, two buses for one contractor were not reported during the 2006-07 school year, and source documentation was not available to create a sample or weighted average to comply with DE's mileage and pupil reporting requirements (see page 8).

Finding No. 3: School Bus Driver Qualification Deficiencies.

Our audit of personnel records for current bus drivers found ten individuals did not possess the federal criminal history record check required by the Public School Code (see page 10).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the EASD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the EASD did not have any findings or observations.

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 September 27, 2007 through July 8, 2010, except for the verification of professional employee certification was performed for the period July 24, 2007 through May 27, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2006-07 and 2007-08.

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 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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the EASD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District 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?

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, 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 which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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, regulations, contracts, grant requirements and administrative procedures.

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

EASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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 membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, 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 EASD operations.

Findings and Observations

Finding No. 1

Certification Deficiency

Criteria relevant to the finding:

Public School Code (PSC)
Section 1205.2(k)(3) provides, in part:

Inactive certification shall . . . [d]isqualify an individual from being employed by a school entity as a professional or temporary employee. An individual with inactive certification may be employed as a temporary substitute teacher . . . for no more than ninety (90) days during a school year.

Section 1202 of the PSC provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

PSC Section 2518 provides, in part:

[Any] school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Our audit of professional employees' certification for the period July 24, 2007 to May 27, 2010, found one individual was employed as a school nurse with an inactive certificate during the 2008-09 and 2007-08 school years.

District personnel indicated they were unaware the individual's certificate was in inactive status at the time of hire. The District has since implemented procedures, beginning December 17, 2009, to ensure that any individual hired has an active certificate.

Information pertaining to the certificate and assignments was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE) for its review. BSLTQ subsequently confirmed the deficiency; therefore, Ephrata Area School District (EASD) is subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Subsidy Forfeitures</u>
2008-09	\$ 757
2007-08	<u>3,457</u>
Total Subsidy Forfeitures	<u>\$4,214</u>

Recommendations

The *Ephrata Area School District* should:

Ensure all individuals required to comply with PSC Section 1205.2 follow the established December 2009 procedures for hiring new professional employees.

The *Department of Education* should:

Recover the subsidy forfeitures resulting from the deficiency.

Management Response

Management stated the following:

This certification was found inactive by the Department of Health in August 2008, and the employee was in the process of taking courses to acquire Act 48 [continuing professional education] hours when she decided to resign from her position. The Department of Health recalculated the reimbursement for that year.

At the time of the hire regarding the certification in question, Act 48 hours were not reviewed as a regular part of the hiring process. As a result of this incident, the District now requires that 1) all Act 48 records are checked on the PDE website as part of the hiring process before any jobs are offered and 2) all staff Act 48 records on PDE website are monitored quarterly to be sure all employees are in compliance.

Finding No. 2

Failure to Report Mileage and Pupil Data to the Department of Education in Accordance With Reporting Guidelines Resulted in Unverifiable Reimbursements

Criteria relevant to the finding:

DE's end of year instructions for reporting mileage, days and pupils require the following:

- Local education agencies (LEA) must report the number of miles per day, to the nearest tenth, that the vehicle traveled with and without pupils. If this figure changes during the year, the district is to calculate a weighted average or a sample average.
- LEAs must report the greatest number of pupils assigned to ride the vehicle at any one time during the day. Districts are to report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned changes during the year, districts are to calculate a weighted average or a sample average.
- For the weighted average method for miles, LEAs must maintain records of miles with pupils and miles without pupils data for each vehicle. Examples show how to calculate weighted averages for mileage changes. Weighted averages should be rounded to the nearest tenth.

Our audit of pupil transportation records for the 2007-08 and 2006-07 school years found improper mileage and pupil count computations and inadequate internal control resulting in our inability to verify the accuracy of the data submitted to DE for both years of audit. Our inability to verify and confirm the accuracy of mileage and pupil counts resulted in unverifiable transportation reimbursements of \$586,633 and \$555,366 for the 2007-08 and 2006-07 school years, respectively

We found errors and inadequate internal controls as follows:

- Miles with and miles without were not computed by a sample or weighted average in accordance with DE's guidelines. The District obtained a single odometer reading from all contractors which was used to report miles with and miles without pupils.
- Pupil counts were not computed using a sample or weighted average in accordance with DE's guidelines. The District obtained a single pupil count from the contractor for each bus and reported that figure to DE for six of the seven contractors for the 2007-08 school year and for five of the seven contractors for the 2006-07 school year.
- The District failed to report data for two buses used by one of the contractors for the 2006-07 school year.
- Source documentation was not available to create a sample and/or weighted average for mileage or pupils.

Internal controls are the responsibility of management. Weaknesses in the District's retention of records procedures did not provide management with the assurance that documentation supporting the District's child accounting data was collected, recorded, and reported

- For the sample average method for miles, once during each month from October through May measure and record: (1) the number of miles the vehicle traveled with pupils (2) the number of miles the vehicle traveled without pupils (3) the number of students assigned to ride the vehicle at any one time during the day. At the end of the school year, calculate the average of the eight measurements for each of the three variables.

Section 518 of the PSC requires retention of records for a period of not less than six years.

accurately in accordance with DE's instructions during the 2007-08 and 2006-07 school years.

District personnel responsible for recording and reporting transportation data to DE were unaware of the requirements to compile and compute a sample or weighted average for miles with and miles without pupils. The failure to report data for two buses used to transport students during the 2006-07 school year was due to clerical oversight.

The *Ephrata Area School District* should:

1. Develop and implement procedures to ensure supporting documentation for transportation data reported to DE is retained for audit purposes.
2. Obtain mileage readings and pupil counts to ensure a sample or weighted average can be computed.
3. Compute a sample or weighted average for miles with and miles without pupils and for pupil counts.
4. Report data for all buses that are used to transport students to and from school.
5. Review transportation reports submitted to DE for years subsequent to the audit and if verifiable errors are found, submit revisions to DE.

Management Response

Management stated the following:

Management was unaware that the individual charged with the duties of maintaining transportation information necessary for accurate reporting to the Department of Education was not performing those duties effectively; adequate training had been provided. Management will reevaluate the job skills necessary for that position and make changes accordingly. Management has also prepared procedures and a review process that should eliminate the chance for these errors to occur in the future.

Finding No. 3 →

School Bus Driver Qualification 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. Section 111 also requires applicants to submit a copy of the Federal criminal history record with the application for employment.

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 audit of the personnel records for current bus drivers found ten individuals did not possess the federal criminal history record information (known as FBI clearances) required by PSC Section 111.

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 five 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; and
5. 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, the fourth and fifth requirements were set by the PSC and the CPSL, respectively.

We reviewed the personnel records of a random sample of 5 of the 122 drivers currently employed by the EASD's transportation contractors. Our review found two drivers who did not possess the FBI clearances required by the PSC at the time of audit. Testing was expanded to include all individuals required to obtain this clearance. As a result, we found a total of 10 of 34 individuals did not have this clearance at the time of audit.

On May 21, 2010, we informed EASD management of the missing documentation and instructed them to immediately obtain the necessary documents so that they could ensure

the drivers' are properly qualified to continue to have direct contact with children. As of the end of our fieldwork on July 8, 2010, the EASD could provide us with only 8 of the 10 missing documents. Therefore, we are unable to verify that all drivers' were properly qualified to have direct contact with children.

District personnel were reviewing only the proof of fingerprint submission, which is merely a receipt for having the fingerprints done. This did not provide the District with the federal criminal history background check as required by the PSC.

Recommendations

The *Ephrata Area School District* should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. 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 stated the following:

Management was unaware that FBI clearances for some school bus drivers were not properly reviewed and maintained by either the contracted bus vendors, including private schools, or by the District's employee with that job responsibility. Management has prepared procedures and a review process that should eliminate the chance for these errors to occur in the future.

Status of Prior Audit Findings and Observations

Our prior audit of the Ephrata Area 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.auditor.gen.state.pa.us, and the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Thomas E. Gluck
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

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

Ms. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

