

FAIRFIELD AREA SCHOOL DISTRICT
ADAMS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2010

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

Ms. Pamela P. Mikesell, Board President
Fairfield Area School District
4840 Fairfield Road
Fairfield, Pennsylvania 17320

Dear Governor Rendell and Ms. Mikesell:

We conducted a performance audit of the Fairfield Area School District (FASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 6, 2006 through July 1, 2009, 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, 2007, 2006 and 2005. 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 FASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the two 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 FASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve FASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the FASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

April 12, 2010

cc: **FAIRFIELD AREA 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 Fairfield Area School District (FASD). 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 FASD in response to our prior audit recommendations.

Our audit scope covered the period July 6, 2006 through July 1, 2009, 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 2007-08, 2006-07, 2005-06 and 2004-05.

District Background

The FASD encompasses approximately 61 square miles. According to 2000 federal census data, it serves a resident population of 7,056. According to District officials, in school year 2007-08 the FASD provided basic educational services to 1,290 pupils through the employment of 94 teachers, 57 full-time and part-time support personnel, and 7 administrators. Lastly, the FASD received more than \$4.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the FASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings. In addition, one matter unrelated to compliance is reported as an observation.

Finding No. 1: Certification Deficiency.

Our audit found that one professional employee was not properly certified for her assignment (see page 6).

Finding No. 2: Memoranda of Understanding Not Updated Timely.

Our audit found that the FASD has not reviewed and re-executed its Memoranda of Understanding with local law enforcement agencies within the last two years (see page 8).

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

Our current audit found that the FASD had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 9).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the FASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found that the FASD had complied with our recommendations regarding Statements of Financial Interests (see page 12) and transportation (see page 13), and partially complied with our recommendations regarding certification (see page 13).

However, we found the FASD had not taken appropriate corrective action in implementing our recommendations pertaining to administrative policies regarding bus driver qualifications (see page 14).

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 July 6, 2006 through July 1, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 (DE) 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

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 FASD'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:

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?

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.

- ✓ 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 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, observations 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.

FASD 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 area of pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 11, 2006, we reviewed the FASD's response to DE dated December 3, 2007. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Certification Deficiency

Criteria relevant to the finding:

Section 1202 of the Public School Code 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 Public School Code provides, 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 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 review of the status of the prior years' finding and recommendations regarding professional employees' certification for the period July 4, 2003, through June 19, 2006, found that the Department of Education's (DE) Bureau of School Leadership and Teacher Quality (BSLTQ) determined that an individual assigned as Coordinator of Curriculum and Special Programs did not hold the required Pennsylvania certification for this assignment (see page 10). BSLTQ, in a letter dated July 25, 2006, noted this individual held secondary principal's certification, but needed to hold: dual certification as both elementary and secondary principal; a principal K-12 certification; or Curriculum & Instruction Supervisor K-12 certification.

Our current audit found that this individual continues to serve as the District's Coordinator of Curriculum and Special Programs while holding only a permanent secondary principal's certification.

Information pertaining to the assignment and certificate was submitted to BSLTQ, DE, for its review. Subsequent to completion of fieldwork for our audit BSLTQ confirmed the deficiency; therefore the District is subject to subsidy forfeitures of \$3,191, \$3,211, and \$2,902 for the 2008-09, 2007-08 and 2006-07 school years, respectively.

Recommendations

The *Fairfield Area School District* should:

Require the individual cited in this finding to obtain proper certification or reassign her to a position for which she is properly certified.

The *Department of Education* should:

Recover the subsidy forfeitures of \$9,304 from the District's allocations.

Management Response

Management stated the following:

The District disagrees, only, with the fines levied for the certification irregularity for the following reasons:

- The District made a respectful argument during the regular . . . audit, conducted during the summer of 2006, on the management reply form. The District believed the employee did have proper certification for the position title and duties.
- The District was not made aware of the determination on the certification final review until February 4, 2008 in a communication from [BSLTQ].
- The specific notification of the certification irregularity is an attachment to the February 2008 letter. The attachment entitled “Bureau Final Audit Review” does contain a sentence regarding the specific certification irregularity; however, the sentence is “buried” within a paragraph explaining a lapsed Principal Certificate. The lack of emphasis on the violation of certification use is easy for the reader to miss.

The District requests certification fines to include only the period of time after the Feb. 2008 communication. The District corrective action plan will include a request for emergency certification (educational reasons) until the employee is properly certified, likely Principal K-12 certification.

Auditor Conclusion

As noted previously in the finding, BSLTQ determined that this was a certification deficiency, making the District subject to subsidy forfeitures as defined by the Public School Code. Any further disagreement on the part of Fairfield Area School District regarding the appropriate subsidy forfeitures must be addressed to DE.

Finding No. 2 →

Memoranda of Understanding Not Updated Timely

Criteria relevant to the finding:

The MOU with the PSP, Section VI, B, states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the 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 (emphasis added).

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a draft MOU format to be used by school entities which contains the same language.

Our audit of the District's records found that the Memorandum of Understanding (MOU) between the District and the Pennsylvania State Police (PSP) was signed on May 16, 2007, and has not been updated in accordance with the MOU. In addition, the MOU with the Hamiltonban Township Police Department (HTPD) was signed on December 22, 1998, and also has not been updated.

The failure to review and re-execute these MOUs every two years could result in a lack of cooperation, direction, and guidance between district employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to and from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Fairfield Area School District* should:

1. Review, update and re-execute the current MOUs between the District and the PSP and HTPD.
2. Follow the General Provisions of the District's MOU (Section VI, item B) with the PSP which states this Memorandum may be amended, expanded or modified at any time upon the written consent of the 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. This provision should also be included in the re-executed MOU with HTPD.
3. Adopt a policy requiring the administration to review and re-execute all MOUs at least every two years.

Management Response

Management stated the following:

Corrective action includes annual MOU practice of updating document.

Observation →

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

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.

Similarly, Section 6355 of the 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 current audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 14). We made our recommendations in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the Public School Code and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider implementing written policies and procedures to ensure that the district is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

Neither the District nor the transportation contractor had adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Although the District did not comply with the recommendations made in our prior audit, as a result of our current audit District personnel contacted the District's transportation contractors, as described in the management response below, to address our recommendations.

Recommendations

The *Fairfield Area School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when current employees of the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Management Response

Management stated the following:

As previously stated in the performance audit report transmitted on December 11, 2006, FASD acknowledges that PA school code does not require administrative policies regarding bus driver qualifications during employment relating to said drivers being charged with or convicted of an incident of child abuse or criminal act. Accordingly, the District is in compliance and there are no documented internal control weakness relating to this observation.

However, in keeping with a probable best practice to improve the safety and welfare of students transported in the district contracted school buses the District has required that all current and future approved bus drivers notify their employer of an charge or conviction of crimes that, even though not barred by state law, may affect their suitability to have direct contact with children. The contractor will then notify the District. Each notification will be reviewed on a case-by-case basis in consultation with the District's solicitor to determine the bus driver's suitability for continued employment.

Furthermore, the District would strongly recommend that the Auditor General begin to work with the Pennsylvania legislature to develop an appropriate public school law to address this issue on a statewide basis. We would further

recommend that such laws include all public school district employees that are charged with or convicted of an incident of child abuse or criminal act during employment.

Auditor Conclusion

We commend the District's decision to address our concerns regarding bus drivers' qualifications and will follow-up on the implementation of the District's corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Fairfield Area School District (FASD) for the school years 2003-04 and 2002-03 resulted in three reported findings and one observation, as shown in the following table. 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 FASD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the FASD did implement the recommendations regarding Statements of Financial Interests and transportation, and partially implemented our recommendations regarding certification. However, FASD did not implement our recommendations related to bus drivers' qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</i></u></p> <p>1. Seek the advice of the District's solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests.</p> <p>2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act.</p>	<p>Background:</p> <p>Our prior audit review of FASD records found that one former board member failed to file a Statement of Financial Interests for the year ended December 31, 2005, and one former board member failed to file a statement for the year ended December 31, 2003.</p>	<p>Current Status:</p> <p>Our current audit found that on August 14, 2006, in an executive session of the board, the solicitor made a presentation regarding the filing of Statements of Financial Interests.</p> <p>Beginning with the 2007 calendar year, the District's administrative assistant to the superintendent began maintaining a list of those individuals who had filed their statements to ensure that they were filed by the May 1st deadline.</p> <p>Our current audit found the board complied with our recommendations and all board members filed their statements for the 2008, 2007 and 2006 calendar years.</p>

<p><u>II. Finding No. 2:</u> <u>Certification Deficiencies</u></p> <ol style="list-style-type: none"> 1. Require the individuals cited in this finding to obtain proper certification or reassign them to positions for which they are properly certified. 2. DE should take action to recover the appropriate subsidy forfeitures. 	<p>Background:</p> <p>Our prior audit of the professional employees' certification and assignments from July 4, 2003, through June 16, 2006, found two administrators' certificates had lapsed and two teachers were not properly certified for their assignments.</p>	<p>Current Status:</p> <p>Our current audit found that FASD complied with our recommendations and as of August 24, 2006, the individuals cited had obtained current, valid teaching certification or had resigned their position with the District.</p> <p>However, when DE's Bureau of School Leadership and Teacher Quality issued its final determination regarding the deficiencies noted in our finding, it determined that one of the administrators who did obtain permanent secondary principal's certification was still not properly certified for her assignment, as detailed in Finding No. 1 if this report (see page 6).</p> <p>DE determined the District was subject to forfeitures of \$11,104, which was deducted from the District's May 30, 2008, basic education funding payment.</p>
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<p><u>III. Finding No. 3:</u> <u>Insufficient Transportation Documentation Resulted in Questionable Transportation Reimbursements of \$1,276,341</u></p> <ol style="list-style-type: none"> 1. Maintain pupil rosters that include pupil counts to show how the number of students was calculated and include explanations for any adjustments. These pupil rosters must support the number of students transported used in District calculations and District calculations must 	<p>Background:</p> <p>Our prior audit of transportation data for the 2003-04 and 2002-03 school years found insufficient documentation to support pupil data and days transported that were reported to DE.</p>	<p>Current Status:</p> <p>Our current audit found that District personnel complied with our recommendations by providing adequate documentation to support transportation data reported for the current audit period.</p>
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<p>be retained for all vehicles.</p> <p>2. Maintain documentation to support the number of days each vehicle transports students.</p>		
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<p><u>IV. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</p> <p>2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p>	<p>Background:</p> <p>Our prior audit found that neither the District nor the transportation contractors had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that FASD chose not to comply with our recommendations, noting in the board's response to DE that the Pennsylvania School Code does not require the policies we recommended. Neither the District nor the District's transportation contractors implemented the recommended policies or procedures.</p> <p>Although not required by law, our recommendations were made in the interest of the protection of students, and we again recommend that the District implement the recommendations from our prior audit. (See the observation on page 9.)</p>
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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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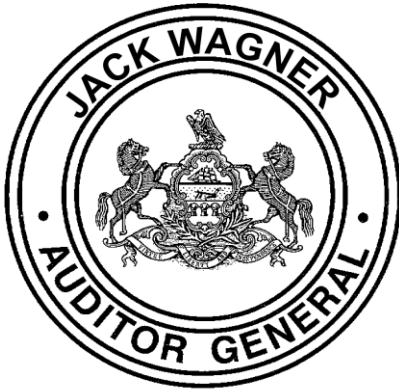
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