

GREENVILLE AREA SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. Dennis Webber, Board President
Greenville Area School District
9 Donation Road
Greenville, Pennsylvania 16125

Dear Governor Corbett and Mr. Webber:

We conducted a performance audit of the Greenville Area School District (GASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 20, 2009 through August 17, 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 GASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in four 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 GASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve GASD's operations and facilitate compliance with legal and administrative requirements.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

cc: **GREENVILLE 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 Greenville Area School District (GASD). 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 GASD in response to our prior audit recommendations.

Our audit scope covered the period November 20, 2009 through August 17, 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 GASD encompasses approximately 29 square miles. According to 2010 federal census data, it serves a resident population of 10,631. According to District officials, in school year 2009-10 the GASD provided basic educational services to 1,477 pupils through the employment of 105 teachers, 89 full-time and part-time support personnel, and 7 administrators. Lastly, the GASD received more than \$9.3 million in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding No. 1: Errors in Reporting Pupil Transportation Data Resulted in Reimbursement Underpayments of \$20,405, and Lack of Documentation Supporting Usage of Tax Exempt Fuel.

Our audit of the GASD's 2009-10 and 2008-09 pupil transportation records submitted to the Department of Education (DE) found reporting errors which resulted in underpayments of pupil transportation reimbursements of \$11,935 for the 2009-10 school year and \$8,470 for the 2008-09 school year, totaling \$20,405. Additionally, the audit found a lack of documentation supporting the usage of 96,400 gallons of tax exempt fuel (see page 6).

Finding No. 2: Errors in Reporting Pupil Membership Resulted in a Reimbursement Underpayment of \$16,287.

Our audit of pupil membership reports submitted to DE for the 2009-10 school year found reporting errors. GASD personnel failed to report or inaccurately reported nonresident pupil membership days (see page 9).

Finding No. 3: Internal Control Weaknesses Resulted in an Overpayment to a Charter School of \$13,609 and an Overpayment of Reimbursement to the District of \$3,098.

Our audit of the GASD's 2009-10 payments to charter schools and the GASD's charter school reimbursement application submitted to DE found GASD personnel did not correctly report the tuition for the school year. One charter school incorrectly billed and received payment in the amount of \$13,609. Consequently, tuition reported to DE for reimbursement was incorrect, resulting in a \$3,098 reimbursement overpayment to the GASD (see page 12).

Finding No. 4: School Bus Drivers' Qualification Deficiencies.

Our audit of the GASD's school bus drivers' qualifications for the 2010-11 school year found that not all required records were on file at the GASD at the time of the audit (see page 14).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the GASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the GASD had not taken appropriate corrective action in implementing our recommendations pertaining to a school bus drivers' qualification deficiency (see page 16).

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 November 20, 2009 through August 17, 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 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 GASD'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?

- ✓ 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?
- ✓ 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

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, regulations, contracts, grant requirements and administrative procedures.

GASD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 25, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Errors in Reporting Pupil Transportation Data Resulted in Reimbursement Underpayments of \$20,405, and Lack of Documentation Supporting Usage of Tax Exempt Fuel

Criteria relevant to the finding:

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

Public School Code
Section 1726-A provides, in part:

Districts providing transportation to a charter school outside the district and, for the 2007-08 school year and each year thereafter, districts providing transportation to a charter school within the district shall be eligible for payments under Section 2509.3 for each public school student transported.

Pennsylvania statutes (75 Pa C.S.A § 9004(e)) provide that fuel used by political subdivisions of the Commonwealth, which includes school districts, is exempt from the state's Liquid Fuels and Fuels Tax.

Our audit of the District's 2009-10 and 2008-09 pupil transportation records submitted to the Department of Education (DE) found reporting errors, which resulted in underpayments of pupil transportation reimbursements of \$11,935 for the 2009-10 school year and \$8,470 for the 2008-09 school year, totaling \$20,405. Additionally, the audit found a lack of documentation supporting the usage of 96,400 gallons of tax exempt fuel for the two school years.

The reporting errors were caused by District personnel incorrectly reporting nonpublic and charter school pupils. For the 2009-10 school year the District failed to report 21 nonpublic school pupils and 10 charter school pupils. For the 2008-09 school year the District failed to report 15 nonpublic school pupils and 7 charter school pupils. The charter school pupils identified in each school year had walked to the Greenville Area School District's (GASD) high school building and from there were transported by the District to the charter school.

The number of nonpublic and charter school pupils transported is an integral part of the pupil transportation reimbursement formula and must be maintained in accordance with the State Board of Education regulations and DE guidelines and instructions.

We have provided DE with reports detailing the errors for use in recalculating the District's pupil transportation reimbursements.

Fuel Usage Control

The District purchased 46,300 gallons of fuel during the 2009-10 school year at a total tax exempt cost of \$106,014. The District purchased 50,100 gallons of gas during the 2008-09 school year at a total tax exempt cost of \$102,684.

The audit found no records were available at the District to verify that the tax exempt fuel purchased was used for the exclusive purpose of transporting students. The lack of documentation to support the use of the tax exempt fuel allows for the potential misuse of fuel. Proper fuel usage logs would include the following: date, vehicle number, amount of fuel dispensed, initials of the vehicle driver and the actual purpose of the fuels dispensed.

Good business practices and internal control would require a private key or card-controlled dispensing metering system that would document into which vehicle the fuel was dispensed and also provide verification of the dispenser.

Recommendations

The *Greenville Area School District* should:

1. Ensure the accurate reporting of nonpublic and charter school pupils.
2. Establish procedures to monitor the fuel usage to ensure all tax exempt fuel purchased is used for school related purposes only.
3. Require the pupil transportation contractors to provide evidence of the actual usage of all tax exempt fuel purchased.

The *Department of Education* should:

4. Adjust the District's allocations to correct the reimbursement underpayments of \$20,405.

Management Response

Management stated the following:

The district failed to report Amish pupils transported in the non-public ridership count and did not seek reimbursement on Charter School students who "walk" to the high school. The District will report ridership for these students in future years.

The district will discontinue fuel purchases on behalf of its transportation contractor as it does not maintain fuel usage reports documenting that the fuel is used exclusively in transporting students.

Auditor Conclusion

We acknowledge that by discontinuing tax exempt fuel purchases the District will eliminate the issue of properly tracking whether this fuel is only used for school related purposes. However, we want to emphasize that our recommendation did not require the District to completely eliminate this program. Before the District does away with the purchase of tax exempt fuel, we suggest that it first determine whether or not this action will negatively impact its fiscal operations.

Finding No. 2 →

Errors in Reporting Pupil Membership Resulted in a Reimbursement Underpayment of \$16,287

Criteria relevant to the finding:

Section 2503 of the Public School Code provides for Commonwealth payment of tuition for orphans and children placed in private homes.

The Pennsylvania Information Management Systems (PIMS) manual of reporting provides guidelines for the reporting of all resident and nonresident classifications. The guidelines also provide a sample of information required to enter in each field on the end-of-year membership reports to be filed with DE.

Our audit of pupil membership reports submitted to DE for the 2009-10 school year found reporting errors. District personnel failed to report or inaccurately reported nonresident pupil membership days. These errors resulted in a \$16,287 reimbursement underpayment of tuition for orphans and children placed in private homes.

Pupil membership reporting errors were as follows:

<u>Classification</u>	<u>Days(Over)/Understated</u>
<u>Resident</u>	
Elementary	(313)
Secondary	(175)
<u>Nonresident</u>	
Children Placed in Private Homes:	
Elementary	176
Secondary	175
Institutionalized Wards of the State:	
Elementary	137
District-Paid Tuition Students:	
Secondary	179

Our audit also found an overstatement of the District's secondary membership for institutionalized wards of the state (orphans) as reported on the District's behalf by a charter school. One student was actually an out-of-state student whose membership should not have been included in DE's calculation of tuition for orphans.

The District's pupil membership reporting errors were the result of the following:

Grade 2 – A nonresident child placed in a private home was improperly reported as a resident student for 176 days.

Grade 5 – A nonresident institutionalized ward of the state was improperly reported as a nonresident child placed in a private home for 137 days. Additionally, District personnel failed to properly enter the Pennsylvania code as the child's district of residency, as directed by DE's instructions for completion of the District's end-of year instructional time and membership report. As a result the nonresident 137 days did not appear on the District's end-of year summary.

Grade 8 – A nonresident child placed in a private home for whom the district of residency was unknown was reported for 175 days on the District's end-of-year pupil membership instructional time and membership report summary. However, District personnel failed to properly enter the Pennsylvania state code as the child's district of residency.

Grade 11 – A nonresident acknowledged by the child's district of residence was not reported by District personnel on the District's end-of-year pupil membership instructional time and membership report for 179 days. The District billed the child's resident district for tuition and received a payment for the educational services provided.

The errors resulted in an underpayment of Commonwealth-paid tuition for orphans and children placed in private homes of \$16,287.

At the time of the audit we were unable to calculate any possible effect on basic education or special education funding, as DE reports necessary to recalculate the subsidies were not available.

Resident and nonresident membership data must be maintained in accordance with DE guidelines and instructions, since they are major factors in determining the District's subsidies and reimbursements.

We have provided DE with a report detailing the errors for use in recalculating the District's subsidies and reimbursements.

Recommendations

The *Greenville Area School District* should:

1. Reference the Pennsylvania Information Management System (PIMS) manual of reporting for proper instructions in reporting nonresident students' membership days.
2. Strengthen internal controls to ensure adherence to DE regulations when reporting nonresident students.
3. Review membership reports submitted to DE for school years subsequent to the audit, and if reporting errors are found, contact DE's PIMS help desk for guidance in changing coding, and submit revised reports to DE.

The *Department of Education* should:

4. Adjust the District's allocations to resolve the subsidy and reimbursement over or underpayments as determined.

Management Response

Management stated the following:

The District implemented a monthly enrollment report which is reviewed by administration to reconcile PIMS membership with nonresident ADM [average daily membership] and out of District placements. Placement letters, PDE-4605's [residency acknowledgement forms], and charter school end-of-year reconciliation reports will be used to verify pupil membership.

Finding No. 3

Reporting Error Resulted in an Overpayment to a Charter School of \$13,609 and an Overpayment of Reimbursement to the District of \$3,098

Criteria relevant to the finding:

For the school years audited, Section 2591.1 of the Public School Code provided that the Commonwealth shall pay to each school district with resident students enrolled in a charter school a percentage of the tuition paid by the District. If insufficient funds are appropriated by the legislative the reimbursement was made on a pro rata basis.

Our audit of the District's 2009-10 tuition payments to charter schools and its 2009-10 charter school reimbursement applications to DE found that District personnel failed to properly report the actual charter school tuition the District paid for that school year. Specifically, the District overpaid one charter school in the amount of \$13,609, and then subsequently incorrectly reported its charter school tuition to DE, resulting in a \$3,098 reimbursement overpayment to the District.

The error was caused by District personnel failing to perform an appropriate review of tuition billings to ensure that all students billed are the financial responsibility of the District.

No tuition payment or reporting errors were noted for the 2008-09 school year.

During the audit the charter school refunded the District \$2,208 of the \$13,609 overpayment, leaving a balance of \$11,401. District personnel contacted the charter school after the auditor questioned why the entire \$13,609 was not refunded. According to District personnel, charter school personnel stated they had only reimbursed the District for the non-special education membership days and had failed to reimburse the District for the special education membership days, an amount totaling \$11,401. Prior to the conclusion of the audit the charter school paid the District the balance of \$11,401.

Recommendations

The *Greenville Area School District* should:

1. Require District personnel to establish internal review procedures to ensure students listed on the charter school tuition billing are the responsibility of the District.
2. Perform a review of subsequent years' data and applications for accuracy and, if necessary, resubmit reports to DE.

The *Department of Education* should:

3. Adjust the District's allocations to resolve the reimbursement overpayment of \$3,098.

Management Response

Management stated the following:

A full refund in the amount of \$13,609 was received from the Charter School on August 5, 2011. Further review of the Charter School student indicated that while one parent resided in Ohio, the residency of the other parent was unknown. Therefore, the student was incorrectly identified as the financial responsibility of the District. The District will review placement letters and PDE-4605's for each charter school student invoiced to determine . . . status.

Finding No. 4 →

School Bus Drivers' Qualification Deficiencies

Criteria relevant to the finding:

Pennsylvania Department of Transportation bus driver regulations require the possession of a valid driver's licenses and passing a physical examination.

Section 111 of the Public School Code 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 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.

Section 111 also requires an FBI fingerprint record check for all employees hired on or after April 1, 2007.

Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to submit an official child abuse clearance statement obtained from the Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have a committed child abuse.

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.

Our audit of the District's school bus drivers' qualifications for the 2010-11 school year found that not all required records were on file at the District at the time of the audit. This finding is a continuation of a finding in our prior audit report (see page 16).

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 27 of the 43 bus drivers currently employed by the GASD's pupil transportation contractor. The drivers were selected at random.

Our audit found that of the 27 drivers reviewed, six did not have the proper federal criminal history record 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. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

On June 15, 2011, we informed the GASD 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. The District's transportation contractor provided the documents prior to the completion of the audit.

The missing records were the result of the District's failure to ensure the transportation contractor complied with provisions of the Public School Code.

Recommendations

The *Greenville Area School District* should:

1. Ensure that the GASD's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all GASD drivers and work with the contractor to ensure that the GASD's files are up-to-date and complete.

Management Response

Management stated the following:

The District has implemented an internal control procedure to ensure that all required bus drivers qualifications are in place in the contracted drivers' file. The internal controls consist of a checklist of required items. No new bus driver will receive approval until all documents are received and approved.

The District requests the names of the six drivers found to have improper Act 114 federal criminal history record on file

Auditor Conclusion

The names of the six drivers were provided to District personnel in the course of the audit, and were again provided to management on August 17, 2011.

Status of Prior Audit Findings and Observations

Our prior audit of the Greenville Area School District (GASD) for the school years 2009-10 and 2008-09 resulted in one reported finding. The finding pertained to a school bus driver's qualification deficiency. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and questioned District personnel regarding the prior finding. As shown below, we found that the GASD did not implement recommendations related to the deficiency.

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

Finding: **School Bus Drivers' Qualification Deficiency**

Finding Summary: The GASD failed to have a proper criminal history record check on file for one employee.

Recommendations: Our audit finding recommended that the GASD:

1. Ensure that the driver without a criminal history record check on file ceases driving students until a criminal record check is obtained from the Pennsylvania State Police.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.

Current Status: During our current audit procedures we found that the criminal history record of the individual cited in our prior audit was received by the District and found no problems. However, the GASD did not properly implement our other recommendation (see Finding No. 4 on page 14).

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 Tom Corbett
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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.

