

LOWER DAUPHIN SCHOOL DISTRICT  
DAUPHIN COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Ms. Renae Paladino, Board President  
Lower Dauphin School District  
291 East Main Street  
Hummelstown, Pennsylvania 17036

Dear Governor Rendell and Ms. Paladino:

We conducted a performance audit of the Lower Dauphin School District (LDS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 20, 2005 through April 17, 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 LDS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in 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 LDSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve LDSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the LDSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 25, 2010

cc: **LOWER DAUPHIN SCHOOL DISTRICT** Board Members

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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period May 20, 2005 through April 17, 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 LDS encompasses approximately 89 square miles. According to 2000 federal census data it serves a resident population of 22,546. According to District officials, in school year 2007-08 the LDS provided basic educational services to 4,008 pupils through the employment of 315 teachers, 187 full-time and part-time support personnel and 20 administrators. Lastly, the LDS received more than \$16.4 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the LDS 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 of professional employees' certification found that one of the employees we cited in our prior audit for lack of proper certification continued in her assignment for the 2005-06 school year (see page 5).

#### **Finding No. 2: Internal Control Weaknesses in Student Activity Fund**

**Operation.** Our audit of the student activity fund found that the LDS did not take appropriate corrective action regarding four issues cited in our prior audit report (see page 7).

**Observation: Memoranda of Understanding Not Updated Timely.** Our audit of the LDS's records found that the Memoranda of Understanding between the LDS and the Hummelstown Borough Police Department and Pennsylvania State Police were not reviewed and updated in the last two years (see page 10).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the LDSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the LDSD had taken appropriate corrective action in implementing our recommendations pertaining to tuition billing errors (see page 12), lack of documentation to support transportation reimbursements (see page 14), lack of documentation necessary to verify bus drivers' qualifications (see page 14), the failure of a board member to file Statements of Financial Interests (see page 16), and internal control weaknesses regarding bus drivers' qualifications (see page 17).

We found the LDSD had taken only partial corrective action in implementing our recommendations pertaining to certification irregularities (see page 13) and internal control weaknesses in student activity fund operation (see page 15).



## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the 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 May 20, 2005 through April 17, 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 LDSD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine an answer to the following question, which serves as our audit objective:

- ✓ 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?

- ✓ 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.

LDSD 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 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 8, 2005, we reviewed the LDSD's response to DE dated January 23, 2006. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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*Criteria relevant to this finding:*

Section 1202 of the Public School Code (PSC) provides, in part:

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

Section 2518 of the PSC 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.

### Certification Deficiency

Our audit of professional employees' certifications found one individual cited in our prior audit continued to be employed in a locally titled position of Student Assistance/Attendance Program Coordinator during the 2005-06 school year.

According to the Bureau of School Leadership and Teacher Quality's (BSLTQ) final review for our prior audit dated December 16, 2005, this assignment requires school psychologist or an emergency permit.

The District did take corrective action prior to the start of the 2006-07 school year, by revising the job description and assignment for the District Student Assistance/Student Attendance Program Coordinator position and removing the duties that required certification. District personnel noted they waited for BSLTQ's final review to confirm the certification requirements for this position before taking their corrective action.

Information pertaining to the deficiency was submitted to BSLTQ, Department of Education (DE), for its review. Subsequent to our completion of fieldwork BSLTQ confirmed the irregularity. Therefore, the District is subject to a subsidy forfeiture of \$2,954 for the 2005-06 school year.

### Recommendations

The *Lower Dauphin School District* should:

Obtain BSLTQ's determination of certification requirements for all locally titled positions prior to employment.

The *Department of Education* should:

Recover the subsidy forfeiture levied as a result of BSLTQ's determination.

**Management Response**

Management stated the following:

This position resulted in a finding during the previous audit completed in March 2005. In May 2005 . . . the Pennsylvania Department of Education was contacted to review the job description and clarify changes made to the job description and assigned duties. An e-mail correspondence was made after a phone conversation in which she outlined the problem areas in the job description. The changes were made to the job description and forwarded to her in the e-mail. By August 2006 the District had not received a response to the email. In August 2006 the Board of Directors approved the classified job description for the District Student Assistance/Student Attendance Program Coordinator and reassigned this individual to classified employee status. In February 2007 a personal meeting with [DE personnel] resulted in [DE] asking to have the job description forwarded . . . again. This District received [a] response dated March 5, 2007. The approved job description matched [the] previous recommendations from the phone conversation in May 2005. The district is now in full compliance with this position. The reason for the one year delay on job description approval and reassignment was beyond the control of the District.

**Auditor Conclusion**

Management's response was made prior to BSLTQ's final review confirming the irregularity. Any disagreement on the part of the District with BSLTQ's determination must be addressed to DE.

**Finding No. 2** →

**Internal Control Weaknesses in Student Activity Fund Operation**

*Criteria relevant to this finding:*

Section 511(a) of the PSC provides, in part:

The board of school directors in every school district shall prescribe, adopt, and enforce such reasonable rules and regulations as it may deem proper, regarding (1) the management, supervision, control, or prohibition of exercises, athletics, or games of any kind, school publications, debating, forensic, dramatic, musical, and other activities related to the school program, including raising and disbursing funds for any or all such purposes and for scholarships, and (2) the organization, management, supervision, control, financing, or prohibition of organizations, clubs, societies and groups of the members of any class or school. . . .

Section 511(d) of the PSC provides, in part:

[I]t shall be lawful for any school or any class or any organization, club, society, or group thereof, to raise, expend, or hold funds, including balances carried over from year to year, in its own name and under its own management. . . . Such funds shall not be the funds of the school district but shall remain the property of the respective school, class, organization, club, society, or group.

The court decision of *Shade Central City School District v. Class of 1974* provided that money raised by a class in a public school may not be disbursed except for activities which are related to the educational program and under the supervision of the board of school directors.

Our audit of the student activity fund for the 2007-08 school year found the District had not taken appropriate corrective action on the following four conditions cited in our prior audit:

1. Unused monies in five inactive student activity accounts.
2. Board policy allows the transfer of funds to private accounts.
3. Board policy does not allow funds to be carried over from one year to the next.
4. Existence of a general fund account within the student activity fund.

Unused Monies In Five Inactive Student Activity Accounts

We found that the five inactive accounts in our prior audit were active during the 2007-08 school year. However, the current Board Policy No. 618 still does not specifically address the disposition of inactive accounts.

Board Policy Allows the Transfer of Funds to Private Accounts

Board Policy No. 618 states that graduating classes have one year to close their accounts, and that the balance shall be spent for one or more of the following:

- to establish and/or award scholarships to Lower Dauphin School District students;
- to purchase school equipment;
- to improve school facilities; and
- up to \$1,000 may be transferred to a private account upon the approval of the superintendent or his/her designee.

Transferring money into a private account does not ensure that the money is used for educational purposes and should not be allowed by District policy.

Board Policy Does Not Allow Funds to be Carried Over from One Year to the Next

Board Policy No. 618 notes that all funds accumulated in the name of a specific activity must be closed out annually and any residual funds shall revert automatically to the District. Discussion with the business manager found that this provision in the policy is not being followed. Our review of account balances showed that balances are being carried over from year to year.

Existence of a General Fund Account within the Student Activity Fund

The District continued to commingle monies that should have been deposited in the general fund with student activity accounts. We found the continued existence of an account titled High School Holding Account (Principals' Account) within the student activity fund during the 2007-08 school year. We identified this account as being improper in our prior audit. This account does not have student officers, lacks student participation in the decision-making process and contained activity which appeared to be General Fund or trust account related. The variety of activity in the account needs to be evaluated for the proper accounting of the activities. The holding account is used for the high school principal to deposit funds for such things as dress down day, tee shirt sales and also for monetary donations to families.

The business manager stated Board Policy No. 618 was reviewed, edited and reviewed with the District's solicitor on May 3, 2006, to comply with our prior recommendations. However, the revised policy was never taken to the board for approval due to clerical oversight.

**Recommendations**

The *Lower Dauphin School District* should:

1. Revise student activity fund policy to:
  - address inactive accounts.
  - disallow the transfer of funds to a private account for graduating classes.
  - allow for monies to be carried over from one year to the next.
2. Determine the proper accounting and classification for monies in accounts unrelated to student run activities.

**Management Response**

Management stated the following:

Policy 618 – Special Purpose Funds and Policy 618.1 Student Activity Funds were both reviewed in 2006 and new policies were drafted, however, not finalized. The district will follow the audit recommendations and revise the student activity fund policy to disallow the transfer of funds to a private account for graduating classes, and allow monies to be carried forward from one year to the next for accounts other than the graduating class. The district will evaluate the transactions within the Holding Account – Principals’ Account at the High School and work with the High School Principal to ensure proper recording to the correct activity. Appropriate transactions will be moved as separate component of the Student Council. Other transactions, determined to be non-student activity will be accounted for in the General Fund or through an account not related to the district.

## Observation



## Memoranda of Understanding Not Updated Timely

*Criteria relevant to the observation:*

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

The MOUs with the Hummelstown Borough Police Department and Pennsylvania State Police, Section VI, Item B, state:

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).

Our audit of the District's records found that the Memorandum of Understanding (MOU) between the District and the Hummelstown Borough Police Department was signed January 29, 2004, and the MOU with the Pennsylvania State Police was signed April 2, 2007. Neither of the MOUs have been updated.

The failure to update the MOUs with the local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and the law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or 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.

As a result of our audit, the District and the Hummelstown Borough Police Department updated their MOU as of April 13, 2009. The Pennsylvania State Police MOU had not yet been re-executed at the conclusion of fieldwork for the audit.

## Recommendations

The *Lower Dauphin School District* should:

1. Review, update and re-execute the current MOU between the District and the Pennsylvania State Police.
2. Follow the General Provisions of the District's MOU (Section VI, item B) which state the MOUs 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 their original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOUs every two years as stated in the current MOUs.



**Management Response**

Management stated the following:

The MOU with the Hummelstown Borough Police Department has been updated as of April 13, 2009. The updated MOU with the Pennsylvania State Police is currently being prepared. The district will put procedures in place to ensure the Memorandums of Understanding are reviewed and re-executed every two years.

## Status of Prior Audit Findings and Observations

Our prior audit of the Lower Dauphin School District (LDS D) for the school years 2003-04, 2002-03, 2001-02, and 2000-01 resulted in six 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 LDS D Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the LDS D did implement our recommendations related to four of the findings and partially implemented recommendations for the other two findings. In addition, LDS D did implement the recommendations related to the observation.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Tuition Billing Errors Resulted in Underpayments of \$51,082</i></u></p> <ol style="list-style-type: none"> <li>1. Attempt to recover the remaining tuition due.</li> <li>2. Review subsequent years’ billings to determine if similar errors occurred, and if so submit revised billings.</li> <li>3. Implement a review procedure to ensure that tuition is actually received, once it is billed.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the 2003-04, 2002-03, 2001-02 and 2000-01 school years’ tuition billings found billing errors in all four years. The billing errors resulted in total underpayments of \$51,082.</p> <p>District personnel were provided a listing of the students and the school districts that had to be billed. As of the prior audit fieldwork completion date of May 20, 2005, revised billings were sent, and payment was received, for \$50,497 of the \$51,082 due to the District.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District collected the remaining balance of \$585 as of June 20, 2005, resolving the tuition outstanding at the conclusion of our prior audit.</p> <p>Additionally, the District implemented new collection and reconciliation procedures in May 2005 which resulted in tuition being correctly billed and received in a timely manner beginning with the 2004-05 school year.</p>

<u>II. Finding No. 2: Certification Deficiencies</u>	<b>Background:</b>	<b>Current Status:</b>
<ol style="list-style-type: none"> <li>1. Require the individuals cited to obtain proper certification or reassign them to positions for which they are properly certified.</li> <li>2. Ensure that the term of validity of all provisional certificates is accurately determined, and that professional employees have their certificates made permanent before their provisional certification expires.</li> <li>3. Ensure that job descriptions for locally titled positions are submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ) for approval to determine correct staffing.</li> <li>4. Ensure that all professional employees obtain proper certification before they are assigned to their positions.</li> <li>5. DE should adjust the District's allocations to recover any subsidy forfeitures that may be levied.</li> </ol>	<p>Our prior audit of the professional employees' certification and assignments found the following irregularities:</p> <ol style="list-style-type: none"> <li>1. Two individuals hired as student assistance/attendance program coordinators, a locally titled position, did not possess the proper School Psychologist K-12 certificate.</li> <li>2. One individual served on a lapsed Administrative I certificate as an elementary school principal.</li> <li>3. Four individuals were employed prior to receiving certification. The individuals were employed as a librarian, physical education teacher, technology education teacher and a mathematics teacher.</li> </ol>	<p>Our current audit found all individuals previously cited received proper certification or were reassigned to a position for which they were properly certified, except for one individual as detailed in Finding No. 1 of this report (see page 5).</p> <p>Additionally, we found Board Policy No. 404 was revised to state "No candidate for professional employment shall receive recommendation for such employment without evidence of his/her certification."</p> <p>BSLTQ's final review cited all seven individuals, resulting in subsidy forfeitures of \$18,793, which DE recovered on June 1, 2006.</p>

<p><u>III. Finding No. 3: Lack of Documentation to Support Transportation Reimbursements of \$4,623,780</u></p> <ol style="list-style-type: none"> <li>1. Ensure that documentation is maintained for audit to support all transportation reimbursement data elements, including but not limited to daily mileage, pupil counts, and total miles traveled by vehicles for the year.</li> <li>2. DE should: <ul style="list-style-type: none"> <li>• Review the propriety of the payments it made to the District and determine if any adjustments should be made.</li> <li>• Require the District to maintain sufficient, competent, and relevant evidence to ensure proper justification for the receipt of state funds.</li> </ul> </li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's 2003-04, 2002-03, 2001-02, and 2000-01 school years' transportation reimbursement reports submitted to DE found a failure to retain supporting documentation for the first three years audited.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that District personnel were able to provide adequate documentation to support all transportation reimbursement data elements beginning with the 2006-07 school year. The District hired a new transportation coordinator in June 2007 who reviewed subsequent years' transportation reports, found errors, and submitted revisions prior to our current audit. The District's transportation coordinator has established procedures which should ensure documentation is maintained for audit to support all transportation reimbursement data elements, including daily mileage, pupil counts and total miles traveled by vehicles for each school year.</p>
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<p><u>IV. Finding No. 4: Lack of Documentation Necessary to Verify Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> <li>1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.</li> <li>2. Maintain files, separate from the contractors, for all District bus drivers and work with the</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of bus driver's qualifications found that one driver did not have an official child abuse clearance statement on file.</p> <p>The driver cited had been driving for the District for seven years without having obtained an official child abuse clearance statement. Once notified, District personnel requested that the contractor obtain an official child abuse clearance statement for this individual. The contractor utilized a form which allowed drivers to drive for 30 days while awaiting their child abuse clearance, as allowed by Section 6355 of the Child Protective Services Law. The contractor had the individual sign the form on May 6, 2005, and subsequently received a child</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District has taken the appropriate measures to comply with the recommendations made in the prior audit. The current transportation coordinator hired in June 2007 now reviews each driver's qualifications before they transport students.</p> <p>Beginning in June 2007, the transportation coordinator also maintains files, separate</p>
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<p>contractors to ensure that the District's files are up-to-date and complete.</p>	<p>abuse clearance form for the driver, dated May 17, 2005, indicating that the driver had no record of child abuse.</p> <p>The failure to obtain the clearance initially was due to an oversight.</p>	<p>from the contractor's files, for all District bus drivers, and also works with the contractor to ensure that the District's files are up-to-date and complete.</p> <p>The District solidified the transportation coordinator's duties by making them part of Board Policy No. 810.</p> <p>Our current review of child abuse clearances for the 2008-09 school year did not find any issues of concern.</p>
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<p><u>V. Finding No. 5: Internal Control Weaknesses Noted in Student Activity Fund Operation</u></p> <ol style="list-style-type: none"> <li>1. Revise student activity fund policy to: <ul style="list-style-type: none"> <li>• address inactive accounts;</li> <li>• disallow the transfer of funds to a private account for graduating classes; and</li> <li>• allow for monies to be carried over from one year to the next.</li> </ul> </li> <li>2. Close out inactive student activity accounts in accordance with revised board policy.</li> <li>3. Determine the proper accounting for monies in accounts unrelated to student run activities.</li> <li>4. Obtain the Pennsylvania Association of School Business Officials publication "Student Activity Fund: Administrator's Guide"</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's high school and middle school student activity funds for the 2003-04 school year found weaknesses in the management and control of the funds. As a result of weaknesses in internal control, the following conditions existed:</p> <ol style="list-style-type: none"> <li>1. Unused monies remain in five inactive student activity fund accounts.</li> <li>2. Board policy allows the transfer of funds to private accounts.</li> <li>3. Board policy does not allow funds to be carried over from one year to the next.</li> <li>4. Existence of general fund accounts within the student activity fund.</li> </ol>	<p><b>Current Status:</b></p> <p>Our current audit of the student activity fund for the 2007-08 school year found the District has addressed the issue of inactive accounts, as there are currently no inactive accounts on the books as of June 30, 2008.</p> <p>However, the current board policy still does not address the disposition of inactive accounts, the transfer of funds to a private account for graduating classes, or the allowance for monies to be carried over from one year to the next. Furthermore, the District has not taken corrective action regarding the proper accounting for monies in accounts unrelated to student run activities. Refer to Finding No. 2 our current report (see page 7).</p>
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<p>to the Development of Effective Student Activities Fund Policies and Procedures” for guidance, and distribute this guide to appropriate personnel.</p>		
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<p><u>VI. Finding No. 6: Board Member Failed to File the Required Statements of Financial Interests</u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of the District’s solicitor in regard to the board’s responsibility when an elected board member fails to file SFIs.</li> <li>2. Develop procedures to ensure that all individuals required to file SFIs do so in compliance with the Public Official and Employee Ethics Act.</li> <li>3. Develop procedures to ensure that SFIs are complete.</li> <li>4. Retain all SFIs for a period of five years from the date of receipt.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the board members’ 2003, 2002 and 2001 calendar years’ SFIs found one board member failed to file his statement for all three years. Additionally, several board members’ statements were incomplete, and the 2000 calendar year’s statements were shredded.</p> <p>We also found that the statements were returned to the board secretary in sealed envelopes and retained on file unopened. The District did not have a review process in place to ensure that all statements are filed when due or to confirm that the statements are complete. In addition, District personnel were not aware of the requirement to retain the statements for a period of five years from date of receipt.</p>	<p><b>Current Status:</b></p> <p>Our current audit found District personnel implemented procedures in February 2006 to address SFI issues by seeking the advice of its solicitor (obtained verbally), creating a checklist of individuals required to file, reviewing SFIs for completeness, and retaining all SFIs for at least five years.</p> <p>The only corrective action not taken was the board secretary’s failure to send SFI forms to past board members who resigned or were not re-elected.</p> <p>As a result, our review of for calendar years subsequent to 2003 SFIs found two board members failed to file in 2004 and one board member failed to file in 2007. We have submitted a report to the State Ethics Commission for its review and determination of any further action it deems necessary.</p>
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<p><u>Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> <li>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 contractor 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.</li> <li>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 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.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that neither the District nor the contractor 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. We considered this lack of written policies and procedures to be 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.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District's transportation contractor has an affidavit signed annually by every driver. The affidavit states that the driver is obligated to report any instances of child abuse and any arrests or convictions to the contractor and to the District immediately.</p> <p>Board Policy No. 810 has been revised to provide that a driver will not be employed until all clearances have been completed and reviewed. A new clause has been added to the policy which states that the contractor must inform the District in writing if any employees have been charged with a criminal offense. The policy also notes that drivers are required to sign an affidavit annually stating they will inform the District and the contractor if they have been charged or convicted of any crime or child abuse. The District will then have the option of retaining that driver or not.</p>
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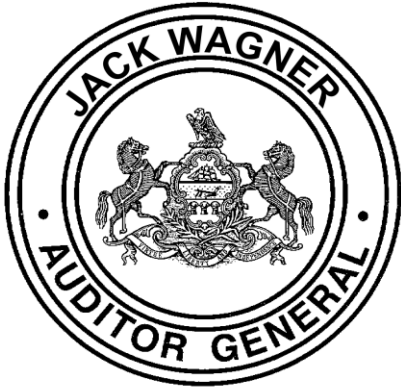
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