

MIFFLIN COUNTY SCHOOL DISTRICT
MIFFLIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. Walter Harpster, Board President
Mifflin County School District
201 Eighth Street
Lewistown, Pennsylvania 17044

Dear Governor Corbett and Mr. Harpster:

We conducted a performance audit of the Mifflin County School District (MCSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 24, 2009 through May 11, 2012, 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 MCSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 14, 2013

cc: **MIFFLIN COUNTY SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – School Bus Driver Qualification Deficiencies	6
Status of Prior Audit Findings and Observations	9
Distribution List	11



Executive Summary

Audit Work

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

Our audit scope covered the period June 24, 2009 through May 11, 2012, 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 MCSD encompasses approximately 362 square miles. According to 2010 federal census data, it serves a resident population of 46,682. According to District officials, in school year 2009-10 the MCSD provided basic educational services to 5,436 pupils through the employment of 376 teachers, 214 full-time and part-time support personnel, and 26 administrators. Lastly, the MCSD received more than \$30.5 million in state funding in school year 2009-10.

Audit Conclusion and Results

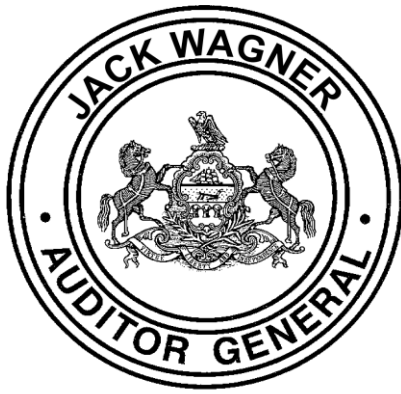
Our audit found that the MCSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: School Bus Driver Qualification Deficiencies.

Our audit of personnel records for current bus drivers found seven individuals did not possess the Act 114 Federal Bureau of Investigations criminal history record information, 12 drivers did not possess the Act 34 clearance, criminal background check, and 13 drivers did not possess the Act 151 – Child Protective Services Law, Pennsylvania Child Abuse History Clearance (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the MCSD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the MCSD had taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding (see page 9).



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 June 24, 2009 through May 11, 2012, except for the verification of professional employee certification which was performed for the period June 25, 2009 through April 12, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the MCSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, contracts, grant requirements and administrative procedures.

MCSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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

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

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the MCSD's response to PDE dated August 26, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding



School Bus Driver Qualification Deficiencies

Criteria relevant to the finding:

Section 111 of the Public School Code, 24 P.S. § 1-111 (Act 34 of 1985, as amended) requires prospective school employees who have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Additionally, as of April 1, 2007, under Act 114 of 2006, as amended, (see 24 P.S. § 1-111(c.1), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have contact with children, and make a determination regarding the fitness of the individual to have contact with children. The Act requires the report to be reviewed in a manner prescribed by PDE. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

Our audit of the Mifflin County School District's (MCSD) personnel records for current bus drivers found seven individuals did not possess the Act 114 Federal criminal history record 12 drivers did not possess the Act 34 clearance criminal background check and 13 drivers did not possess the Act 151 –Pennsylvania Child Abuse History Clearance.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the safety and welfare of the students transported in school buses. We reviewed the following six requirements:

1. Possession of a valid driver's license;
2. Completion of school bus driver skills and safety training;
3. Passing a physical examination;
4. Lack of convictions for certain criminal offenses;
5. Federal Criminal History Record; and
6. Official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained further under criteria, the fourth and fifth requirements were set by the Public School Code of 1949, as amended. The sixth requirement was set by the Child Protective Services Law. In addition, when bus drivers change employers, they must obtain new clearances.

Criteria relevant to the finding:

Additionally, Chapter 8 of the State Board of Education Regulations, 22 Pa. § 8.2 provides that school entities require a criminal history background check that is not more than one year old prior to hiring an applicant or accepting the services of a contractor, if the applicant or the contractor's employees would have direct contact with children.

Similarly, Section 6355 of the Child Protective Services Law, (CPSL) 23 Pa C.S. § 6355, known as Act 151, requires prospective school employees to submit an official clearance statement obtained from the Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in a founded report for school employee.

We reviewed the personnel records of a random sample of 5 of the 143 drivers currently employed by MCSD transportation contractors. Our review found two drivers did not possess a valid Act 34 clearance, two drivers did not possess a valid Act 151 and two drivers did not possess a valid Act 114 clearance at the time of employment with the MCSD. Testing was expanded to include an additional 29 drivers. As a result of our review of 34 drivers, 12 were found not to have a valid Act 34 clearance, 13 were found not to have a valid Act 151 clearance and seven were found to not have a valid Act 114 clearance at the time of employment with the MCSD.

On April 10, 2012, we informed MCSD personnel of the missing documentation and instructed them to obtain the necessary documents. As of May 21, 2012, MCSD personnel provided us with all of the missing documentation that was requested and we verified the drivers have proper qualifications to continue to have direct contact with children.

The MCSD was accepting clearances that were more than one year old when drivers would switch contractors or when a bus driver switched from providing transportation services for the Tuscarora Intermediate Unit #11 to services for MCSD. The District was not requiring the drivers to obtain new clearances. In some cases the District would use the hire date from a previous contractor to grandfather the bus drivers after they had switched contractors, and never obtained new clearances. The District also did not have a policy in place, for the hiring and approval of new bus drivers.

Recommendations

The *Mifflin County School District* should:

1. Review all bus drivers' files and obtain any clearances that were not obtained prior to or during the audit.
2. Implement a policy to require the transportation coordinator or designee to review all bus driver clearances prior to allowing the driver to drive for the District in order to determine each driver's fitness for driving.

3. Develop procedures to ensure that the District is obtaining new clearances for bus drivers whenever they switch contractors, or begin driving for the MCSD.

Management Response

Management stated the following:

School bus drivers were not required to renew certification/clearances upon changing employment from one district approved contracted carrier to a different district approved contracted carrier. In addition, new certifications/clearances were not required to be obtained when school bus drivers who were employed by an approved contracted carrier and provided driving service for the TIU [Tuscarora Intermediate Unit] began to provide driving services to the Mifflin County School District while maintaining employment with the same approved carrier.

The District will require new certifications/clearances for any driver who changes employment between approved carriers and for any driver previously employed by a carrier but being added as an approved driver for Mifflin County School District.

Status of Prior Audit Findings and Observations

Our prior audit of the Mifflin County School District (MCSD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to the Memorandum of Understanding not being updated timely. 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 MCSD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the MCSD did implement recommendations related to the Memorandum of Understanding.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

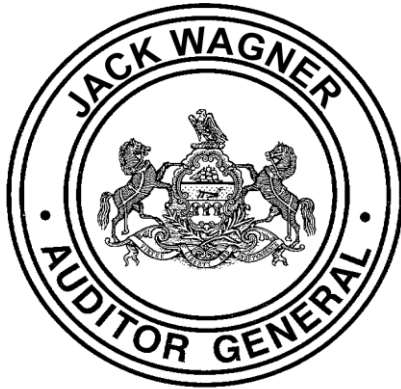
Observation: **Memorandum of Understanding Not Updated Timely**

Observation Summary: Our prior audit of the District's records found that the Memorandum of Understanding (MOU) between the District and one of its local law enforcement agencies was not updated within two years of the prior audit.

Recommendations: Our audit observation recommended that the MCSD:

1. Update and re-execute the current MOU between the District and the local law enforcement agency.
2. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years.

Current Status: Our current audit found that the District updated its MOU with the local law enforcement agency on August 26, 2009, and again updated on January 5, 2011. The District did not adopt an official board policy. However, the District did implement new procedures to ensure the MOUs are reviewed and updated every two years. Additionally, Act 104 of 2010 required that the current MOU was to be submitted to the Office of Safe Schools by June 30, 2011 and then biennially updated, re-executed and filed with the Office of Safe Schools. The District has taken proper corrective action to address both recommendations in this observation.



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:

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

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

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

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

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

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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

