

MORRISVILLE BOROUGH SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. John DeWilde, Board President
Morrisville Borough School District
550 West Palmer Street
Morrisville, Pennsylvania 19067

Dear Governor Corbett and Mr. DeWilde:

We conducted a performance audit of the Morrisville Borough School District (MBSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period June 8, 2009 through August 19, 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 MBSD 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 observation 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 MBSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MBSD's operations and facilitate compliance with legal and administrative requirements.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 11, 2012

cc: **MORRISVILLE BOROUGH 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 Morrisville Borough School District (MBSD). 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 MBSD in response to our prior audit recommendations.

Our audit scope covered the period June 8, 2009 through August 19, 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 MBSD encompasses approximately 2 square miles. According to 2010 local census data, it serves a resident population of 8,728. According to District officials, in school year 2009-10 the MBSD provided basic educational services to 981 pupils through the employment of 80 teachers, 2 full-time and part-time support personnel, and 5 administrators. Lastly, the MBSD received more than \$4.9 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the MBSD 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: Pupil Transportation Reporting Errors Resulted in a Net Subsidy Overpayment of \$10,504.

Our audit of the MBSD's transportation records for the 2009-10 and 2008-09 school years found errors in data reported to the Department of Education for both years of audit, resulting in a net subsidy overpayment of \$10,504 (see page 6).

Finding No. 2: School Bus Drivers Lacked Required Clearances.

Our audit of the MBSD's transportation contractor's three bus drivers' files found that not all required clearances were obtained (see page 9).

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

Our audit found that the MBSD does not have written policy or procedures in place 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 (see page 11).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the MBSD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the MBSD had taken partial corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 13).

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 8, 2009 through August 19, 2011.

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

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

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 MBSD'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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

What are internal controls?

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

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

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, 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.

MBSD 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.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2010, we reviewed the MBSD's response to DE dated March 3, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

DE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, number of days the vehicle provided to and from school transportation and pupils transported to and from school be based on actual data using the district's daily records and weighted averaging of mileage and pupils.

Pupil Transportation Reporting Errors Resulted in a Net Subsidy Overpayment of \$10,504

Our audit of the District's transportation records for the 2009-10 and 2008-09 school years found errors in data reported to the Department of Education (DE) for both years of audit in the following areas:

- The number of public and nonpublic pupils transported.
- The amount paid the contractor.

The errors resulted in a net transportation subsidy overpayment of \$10,504, as follows:

	<u>(Over)/Underpayments</u>		
	<u>2009-10</u>	<u>2008-09</u>	<u>Totals</u>
Nonpublic Subsidy	\$(13,090)	\$1,540	\$(11,550)
Regular Subsidy	<u>(1,040)</u>	<u>2,086</u>	<u>1,046</u>
Totals	<u>\$(14,130)</u>	<u>\$3,626</u>	<u>\$(10,504)</u>

Pupil Data

Our audit of pupils transported found the following errors:

- Public school pupils were overstated by 31 pupils in 2009-10.
- Nonpublic school pupils were overstated by 34 pupils in 2009-10 and understated by 4 pupils in the 2008-09 school year.

Amount Paid Contractor

District personnel under reported the amounts paid to the contractor for the 2009-10 and 2008-09 school years. The underreporting of costs for the 2009-10 school year had no effect on state subsidy since the District is paid on the lower of cost or state formula and state formula was less than both the reported and the actual costs. However, for the 2008-09 school year, since the costs reported were less than state formula but the actual costs were greater than state formula, the District was underpaid.

The incorrect reporting of the number of pupils transported and the contractor costs was due to clerical errors.

The total number of public and nonpublic pupils transported and the amount paid to the contractor are integral parts of the transportation reimbursement calculation. These factors must be reported accurately to DE in order for the District to receive accurate subsidy for pupil transportation.

We have provided DE with a report detailing the errors for the 2009-10 and 2008-09 school years for use in recalculating the District's transportation subsidy.

Recommendations

The *Morrisville Borough School District* should:

1. Accurately report the number of public and nonpublic pupils transported.
2. Report contractor cost data in accordance with DE instructions.
3. Review reports submitted to DE for the years subsequent to the audit period and submit revised reports if errors are found.

The *Department of Education* should:

4. Adjust the District's allocations to resolve the \$10,504 net transportation subsidy overpayment.

Management Response

Management stated the following:

The Morrisville Borough School District agrees with the finding that the Transportation Reporting Errors resulted in a Net Overpayment of \$10,504; however, the district's corrective action is twofold: 1) the result of our annual Transportation Bid. For 2011/12, the School Board of Directors awarded the contract to [a company], who will provide all necessary documentation for Transportation and reporting. 2) The Business Office has worked closely with Transportation Department to improve the internal procedures and documentation necessary for accurately reporting annual Pupil Transportation.

Finding No. 2 →

School Bus Drivers Lacked Required Clearances

Criteria relevant to the finding:

Public School Code 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 and the Federal Bureau of Investigation. 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 Child Protective Services Law, (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare within the immediately preceding year. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Additionally, the pupil transportation contract requires the contractor to comply with all applicable Pennsylvania states, regulations and procedures with regard to transportation and that drivers of each vehicle shall possess all required school bus driver qualification and licenses and comply at all times with all statutes, regulations and procedures of the Commonwealth of Pennsylvania.

Our audit of the District's transportation contractor's three bus drivers' files as of June 29, 2011, found that:

- All three drivers did not obtain the Pennsylvania State Police criminal history record.
- Two drivers did not obtain the Pennsylvania child abuse history clearance statement.
- One driver obtained a child abuse clearance statement approximately 17 months after date of hire.

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

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

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation pursuant to 67 Pa. Code §71.1 *et seq.* As explained further in the box to the left, the fourth and fifth requirements were set by the Public School Code and the CPSL, respectively.

Since the transportation contractor is located in New Jersey they followed New Jersey law. The drivers did have a New Jersey criminal background clearance in their files; New Jersey does not require a child abuse clearance. However, because they are providing services within Pennsylvania, they are subject to the background clearances required by Pennsylvania law, including the requirement to obtain those clearances from Pennsylvania agencies.

On June 29, 2011, we informed District management of the missing documentation and instructed them to obtain the necessary documents. On August 3, 2011, we were informed that the District had contracted with a Pennsylvania-based transportation contractor, and would not be using the services of the New Jersey-based contractor for the 2011-12 school year. District personnel stated all required documentation would be retained on file.

Recommendations

The *Morrisville Borough School District* should:

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

Management Response

Management stated the following:

The Morrisville Borough School District agrees with the finding for Transportation that School Bus Drivers Lacked Required Clearances. The corrective action is the result of our annual Transportation Bid. For 2011/12, School Board of Directors awarded the contract to [a company] who will provide all the necessary Bus Drivers Clearances. Prior Year Transportation bids were awarded to [a company] of NJ. The Bus Driver required clearances will be provided to the Morrisville Borough School District Transportation Department from [the current company] and given to the Human Resource Department for certification and retention.

Observation →

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

Public School Code 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 Child Protective Services Law (CPSL), 23 Pa. C.S. 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

As stated in Finding No. 2 of this report, 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.

Similarly, Section 6355 of the CPSL 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.

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, 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 reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our review found that there were no other serious crimes, as referred to in the previous paragraph, that called into question the applicants' suitability to have direct contact with children. However, the District does not have written policy or procedures in place 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.

The risk was mitigated because, as stated in Finding No. 2, the transportation contractor is located in and follows New Jersey law. In order to obtain a school bus endorsement or to renew your endorsement, New Jersey law requires that you must pass a state and federal background check through fingerprinting. The contractor stated that the fingerprints are constantly monitored and if a crime is committed the New Jersey Department of Education is notified which then notifies the employer. However, we were informed that the District has now contracted with a Pennsylvania-based transportation contractor and are no longer using the services of the prior contractor for the 2011-12 school year; therefore this risk is elevated.

Recommendations

The *Morrisville Borough School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District and/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.
2. Implement written policies and procedures to ensure that 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.

Management Response

Management provided a response noting agreement with the observation but made no further comment at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Morrisville Borough School district (MBSD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. 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 MBSD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the MBSD partially implemented our recommendations.

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

Observation: **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation Summary: The MBSD uses software purchased from an outside vendor for its critical student accounting applications. Additionally, the District's entire computer system, including all its data and the above software, are maintained on the vendor's servers that are physically located at the vendor. The District has remote access into the vendor's network servers, with the vendor providing system maintenance and support. During our prior audit we determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all activity in its system.

Recommendations: Our audit observation recommended that the MBSD:

1. Include in its contract with the vendor a non-disclosure agreement for the District's proprietary information.
2. Include in the District's Acceptable Use Policy provisions for authentication (password security and syntax requirements).
3. Require all employees to sign the Acceptable Use Policy.
4. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.

5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days).
8. Allow access to its system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
9. Allow upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.
10. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.
11. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

Current Status:

Our current audit found that the MBSD implemented our recommendations. With regard to recommendation number 4, the District wrote in its response to DE dated March 3, 2010, that the District created IT policies and procedures for controlling the activities of vendors/consultants that required all current and future vendors to sign the Acceptable Use Policy. However, when asked the vendor did not sign the District's Acceptable Use Policy, stating that they did not believe it pertained to them.

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:

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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.

