

SHARPSVILLE AREA SCHOOL DISTRICT  
MERCER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2012



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

Mr. Bill Henwood, Board President  
Sharpsville Area School District  
701 Pierce Avenue  
Sharpsville, Pennsylvania 16150

Dear Governor Corbett and Mr. Henwood:

We conducted a performance audit of the Sharpsville Area School District (SASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 24, 2010 through March 1, 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 SASD 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 SASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the SASD's cooperation during the conduct of the audit.

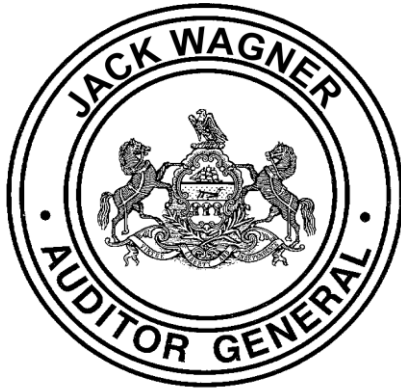
Sincerely,

/s/

JACK WAGNER  
Auditor General

June 19, 2012

cc: **SHARPSVILLE AREA 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 Sharpsville Area School District (SASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 24, 2010 through March 1, 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 SASD encompasses approximately 29 square miles. According to 2010 federal census data, it serves a resident population of 7,408. According to District officials, in school year 2009-10 the SASD provided basic educational services to 1,334 pupils through the employment of 87 teachers, 55 full-time and part-time support personnel, and 7 administrators. Lastly, the SASD received more than \$8.3 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the SASD 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: Failure to Have All School Bus Drivers' Qualifications on File.**

Contracted bus drivers' qualification documents were not on file at the SASD at time of the audit (see page 6).

#### **Status of Prior Audit Findings and**

**Observations.** There were no findings and observations included in our prior audit report.





## 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 March 24, 2010 through March 1, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through January 25, 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 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 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 SASD'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?
- ✓ In areas where the District receives transportation subsidies, are the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they 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?

## **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.

SASD 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 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 SASD operations.

## Findings and Observations

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### Finding

### Failure to Have All School Bus Drivers' Qualifications on File

*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 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to submit 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 a committed child abuse.

Chapter 23 of the State Board of Education Regulations indicates that 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 Sharpshville Area School District's (SASD) school bus drivers' qualifications for the 2011-12 school year found that not all records were on file at the time of audit. Additionally, the documentation was not required to be provided to the District by both of the District's transportation contractors.

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 9 of 27 bus drivers currently employed by the SASD and its two pupil transportation contractors. Our review found that the District did not have on file any records for one of its contractors at the time of our audit. The audit also found the board of directors failed to approve any of the four bus drivers used by the same contractor, as required by State Board of Education Regulations.

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 January 24, 2012, we informed the SASD management of the missing documentation and instructed them to immediately obtain the necessary documents, so they could ensure all drivers were properly qualified to transport students and to have direct contact with children. The missing documentation was received and provided for audit review on January 26, 2012. Our review found the four drivers were properly qualified.

Additionally, Section 111(7)(b) provides, in part:

“Administrators shall maintain a copy of the required information. Administrators shall require contractors to produce a report of criminal history record information for each prospective employee of such contractor prior to employment.”

SASD Board Policy No. 810 states, in part:

“A school bus driver shall not be employed until s/he has complied with the mandatory background check requirements for criminal history and child abuse and the contractor has evaluated the results of that screening process.

“This responsibility is in addition to the requirement for clearances that must be presented to the district when an individual is initially hired by the district or the contract carriers.”

The failure to have the records on file at the District was caused by District administrators failing to ensure that the contractor’s transportation contract included a provision that all bus drivers qualifications must be provided to the District for board approval prior to their employment, a requirement of the other contractor’s contract, of State Board of Education regulations, and of SASD Board Policy No. 810.

## Recommendations

The *Sharpsville Area School District* should:

1. Ensure that the District’s administration reviews each driver’s current qualifications prior to that person transporting students.
2. Maintain files, at the District, separate from the transportation contractor, for all District drivers and work with the contractors to ensure that the District’s files are up-to-date and complete.
3. Ensure all transportation contracts include a provision that all drivers qualifications must be provided to the District for board approval prior to the drivers having any contact with the District’s students.
4. Ensure board approval for all bus drivers used by the contractors prior to the start of each school year, and for any additional drivers hired throughout the school year.

**Management Response**

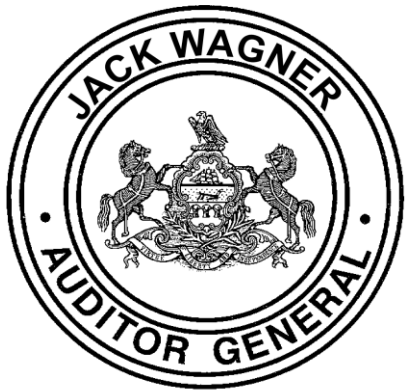
District management waived the opportunity to reply at the time of our audit.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Sharpsville Area School District resulted in no findings or observations.





## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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The Honorable Robert M. McCord  
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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](http://www.auditorgen.state.pa.us).

