

SOUTH EASTERN SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2010

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

Mr. Ralph Marston, Board President
South Eastern School District
377 Main Street
Fawn Grove, Pennsylvania 17321

Dear Governor Rendell and Mr. Marston:

We conducted a performance audit of the South Eastern School District (SESD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 20, 2005 through June 11, 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 SESD complied, in all significant respects, with applicable state laws, regulations, 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 SESD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SESD's operations and facilitate compliance with legal and administrative requirements. We appreciate the SESD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

August 4, 2010

cc: **SOUTH EASTERN 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 South Eastern School District (SESD). 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 SESD in response to our prior audit recommendations.

Our audit scope covered the period September 20, 2005 through June 11, 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 SESD encompasses approximately 105 square miles. According to 2000 federal census data, it serves a resident population of 17,884. According to District officials, in school year 2007-08 the SESD provided basic educational services to 3,286 pupils through the employment of 260 teachers, 102 full-time and part-time support personnel, and 21 administrators. Lastly, the SESD received more than \$13.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SESD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Expenditures of \$717,961 Approved Without Competitive Bidding.

Our current audit found payments totaling \$717,961 were made to a vendor for various projects and repairs without advertising for competitive bids as required by Section 751 of the Public School Code (see page 5).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the SESD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the SESD had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 12), inadequate internal controls over administrative travel and other expenditures (see pages 12 and 13), board members failing to file Statements of Financial Interests (see page 14), bus driver's criminal background check and child abuse clearances (see page 14), improper student activity fund practices (see page 15), and internal control weaknesses regarding bus drivers' qualifications (see page 16).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period September 20, 2005 through June 11, 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

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 SESD'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:

- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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.

SESD 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.

Our audit examined the following:

- Records pertaining to 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 SESD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 10, 2006, we reviewed the SESD's response to DE dated March 16, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Expenditures of \$717,961 Approved Without Competitive Bidding

Criteria relevant to the finding:

Section 751 of the Public School Code, 24 P.S. § 7-751, provides, in part:

(a) All construction, reconstruction, repairs, maintenance or work of any nature . . . made by any school district, where the entire cost, value, or amount of construction, reconstruction, repairs, maintenance or work, including labor and material, shall exceed ten thousand dollars (\$10,000), shall be done under separate contracts to be entered into by such school district with the lowest responsible bidder, upon proper terms, after due public notice has been given asking for competitive bids. . . .

Provided, that if due to an emergency a school plant or any part thereof becomes unusable competitive bids for repairs or replacement may be solicited from at least three responsible bidders, and upon the approval of any of these bids by the Secretary of Education, the board of school directors may proceed at once to make the necessary repairs or replacements in accordance with the terms of said approved bid or bids. [Emphasis added.]

(f) No board of school directors shall evade the provisions of this section as to advertising for bids or purchasing materials or contracting for services.

We reviewed all payments made by the District to one of its vendors from July 2006 through June 2008. Our review found that payments totaling \$717,961 for various projects and repairs were made without advertising for competitive bids as required by Section 751 of the Public School Code (Code), 24 P.S. § 7-751, as follows:

<u>Description of Work</u>	<u>Date Paid</u>	<u>Total Cost</u>
Supply and install hot water station	9/07/06	\$ 24,490
Replace domestic hot water heater	Various	84,732
Remove old well tank, install new tank	12/07/06	12,241
Infrared deficiencies repair	1/25/07	21,689
Repair high voltage switchgear	2/15/07	14,705
Seal boiler room walls and ceiling	2/15/07	22,300
New heating, ventilation and air conditioning (HVAC) dehumidification system	Various	61,533
Install new 225 amp service	Various	13,492
Electrical systems analysis repairs	Various	45,670
Recommission, rebalance school – maintenance proposal	Various	233,450
Electrical systems analysis repairs	Various	12,823
Add exhaust system fans to control system	Various	24,727
Install proprietary control system changes	Various	16,815
Replace oil pump and oil valve	1/31/08	10,644
Electrical systems analysis repairs	Various	10,283
Install two new air conditioning units	Various	79,827
Install air conditioning units	6/30/08	<u>28,540</u>
Total		<u>\$717,961</u>

Criteria relevant to the finding:

- (g) Piecemeal for the purpose of obtaining prices under ten thousand dollars (\$10,000) upon transactions which should, in the exercise of reasonable discretion and prudence, be conducted as one transaction amounting to more than ten thousand dollars (\$10,000).

In response to our inquiries, District personnel originally stated that they did not believe that these projects required bidding since they were service-related. However, our review of these projects found that while the work required was identified through various system maintenance and electrical reviews, District personnel were aware that the costs of equipment and supply items for each project would exceed \$10,000; therefore, the projects should have been advertised for competitive bids. By failing to solicit competitive bids the board:

- Probably did not enjoy the benefits of lower costs normally obtained from bidding; and
- Excluded area businesses from the knowledge that these repairs were to be completed, thereby depriving them of the opportunity to submit competitive bids.

Recommendations

The *South Eastern School District* should:

1. Review each project to be completed and determine if the actual cost of supplies and/or equipment will be \$10,000 or more, to determine if that project should be advertised for competitive bid.
2. Consolidate like items and advertise for competitive bids for all projects costing \$10,000 or more.

Management Response

Management stated the following:

On July 19 and 20, 2006 an unforeseen mechanical situation was detected in South Eastern School District Middle School West. While [the vendor] was performing diagnostic and survey work as part of a professional service agreement, it was discovered that the hot water and domestic water systems were in violation of code and posed a significant health hazard. The systems were found to have metal, clay, limestone and other debris in the water system which posed a serious threat to the health and safety of the staff and students. The inside of the tank had dissolved to the point where there were pieces of the tank in the water and the water was a thick, brown substance. The water had circulated throughout the piping and damaged the piping system, filters, mixing valves and various other water supply items throughout the building.

Summer School programs had to be moved from the West Middle School to other locations on the main campus to ensure that the students and staff would have access to a safe environment and clean water. The health and safety of students and staff were in jeopardy because of the need for suitable drinking water, cooking, restrooms and to provide proper sanitation for the building. Due to the extensive nature of the repairs throughout the building we would not have been able to be ready for the opening of school if the repairs did not begin immediately. The District received Board approval on July 20, 2006, completed and faxed to the Pennsylvania Department of Education (PDE) the PDE Form 3074 (b) Non-Reimbursable Work Not Subject to Advertising Requirements. We have confirmation that the fax was successfully transmitted. The department [PDE] is unable to locate a record of the District's application.

On May 31, 2006 at 7 p.m. and June 1, 2006 Middle School West was closed to students and staff due to mechanical problems. Two boilers were leaking oil causing a potential fire hazard and the air conditioning system was not functioning properly. The temperature in the building rose to approximately 90 degrees. The boiler repair company was notified and they were able to service the boilers on June 1, 2006 to a point where we were able to safely complete the school year. We were informed that emergency replacement of the boiler pumps and inner bladders and the installation of day tanks would need to take place at a time when students or staff would not be in the building. The air conditioning repair company was contacted and reported that the problem was leaking refrigerant, loose motor terminals, chemical clean up and replacing and sealing of the refrigerant area to secure the unit. All AHU's [air handling units] had to be cleaned and serviced removing massive debris and metal like substances. Exhaust fans were not functioning, thus not meeting the required fresh air make up regulations required by the building code. There was damage to the HVAC piping systems throughout the building requiring large sections of piping to be replaced. In addition tanks had to be replaced, systems rewired, rigging had to be done for a new oil fired . . . water heater, flue piping installed, roof penetrations had to be sealed and new oil lines had to be piped to the systems. A new dehumidification system was necessary because mold was getting into the ductwork and into the classroom areas. Students and staff had to be

moved to different locations to avoid high humidity levels, odor, and mildew smells. Exhaust fans had to be added and tied into the control systems because none of the exhaust fans, including the bathroom exhaust fans, were working and nothing was on schedules. There was a noxious odor in the boiler room which had to be put on an isolated system to prevent carbon dioxide levels from rising to unhealthy levels. The building had to be evacuated and students and staff sent home on multiple occasions. There was a significant increase in health room visits by students and staff due [to] dizziness, sickness, and headaches. It was originally thought that by sealing, it would stop the odor, but this was not enough to contain the odors so we had to eventually put in new units. It was also found that the unsealed boiler room walls presented a fire hazard a[t] the building as a fire would permeate the building quickly thus posing a significant safety issue for staff and students. The district informed our insurance carrier on June 6, 2006, received claim numbers for the work and received Board approval on June 15, 2006, completed and faxed to PDE the PDE Form 3074 (b) Non-Reimbursable Work Not Subject to Advertising Requirements. We have confirmation that the fax was successfully transmitted. The department [PDE] is unable to locate a record of the District's application. We also filed an insurance claim for the boilers that failed. The insurance company did not inform us by letter until December 11, 2006 that the work would not be covered. The District never received this letter until the end of May 2009, because it went to an incorrect address.

It was unknown why the AHU's from the mechanical problems, at Middle School West, were not firing, so an Electrical Analysis was conducted. It was discovered that household grade wiring was used. There was overheating of electrical panels, numerous code violations and power surges because the breakers were bypassed by using copper water pipe instead of copper wiring. The service to various HVAC units was not to code specifications through such issues as non grounded wires, missing fuses, fuses replaced by copper wires, open breaker panels, missing electrical outlet covers, open electrical boxes, unprotected wires due to frayed and damaged coverings, and too many systems on a breaker panel causing it to over-heat and throw breakers thus effecting the teaching and learning process through constant disruptions and power failures. The Electrical

Analyses on Multiple Buildings were not bid because each building was under \$10,000 and was done at different times which the District believes to have been in compliance with the regulations.

On September 5, 2007, the district was notified that the temperature control systems at West were not properly operating. Some rooms were in excess of 85 degrees while other rooms were below 65 degrees. Students and staff had to be moved from classrooms, the gymnasium area, and the cafeteria throughout the day to attempt to minimize the disruption in the teaching and learning process. Parents were vocalizing their concerns and dissatisfaction that students were coming home complaining of being very cold and hot throughout the day. Students and staff were reporting symptoms of strep throat, bronchitis and other flu like symptoms. In the diagnosis of the problem, it was found that 72 heating/cooling units in the building did not contain system controls and were not functioning properly. The heating and cooling units could not be controlled and were randomly heating and cooling the instruction spaces. The health and safety of our students and staff was affected. The District received Board approval on September 10, 2007, applied for and was approved for a waiver from PDE on September 11, 2007. The total cost of the repairs exceeded the waiver by \$233,450, but is still a part of the waiver that was approved.

There were deficiencies in the control system at Middle School West and Middle School East. The control systems are proprietary. [A subcontractor] is the only authorized representative in the Harrisburg, PA, York County and surrounding regions able to work on the systems. The District has a letter of proprietary on file.

While the [vendor] was performing routine maintenance, it was determined that there were areas that were not meeting A/C requirements. These were for 3 A/C units in faculty rooms at Stewartstown Elementary, Delta-Peach Bottom Elementary and Fawn Elementary. Each was under the building bidding threshold for each separate project.

The schools were experiencing brown outs. Panels were overheating and there were code violations and fire hazards. These projects were separate and done at different times. Items found through the system analysis included

code violations as non grounded wires, missing fuses, fuses replaced by cooper wires, open breaker panels, open electrical boxes, unprotected wires due to frayed and damaged coverings, etc. Each project met the threshold for bidding as each separate building project was under the bidding requirement and completed at different times. The Electrical Service Analysis . . . Reports are available.

The District followed the bidding requirements when we requested the waivers. In 2007 we requested a faxed copy of the approved waiver and will continue to do so to document PDE approval. When faced with situations that endanger the health and safety of our students and staff, the priority will always be their safety.

Auditor Conclusion

We recognize the District's responsibility to take appropriate action to protect the safety and well-being of its students and staff in crisis situations. However, the District is mandated to abide by **all** provisions of law.

Section 751(a) of the Public School Code requires competitive bidding for work of any nature at a cost exceeding \$10,000. Furthermore, it contains an emergency exception that provides that if a school or any part thereof becomes unusable, the board must solicit competitive bids from **at least three responsible bidders**, and ensure that the bids are appropriately approved by the Secretary of the Department of Education (DE) prior to making the necessary repairs or replacements. The District failed to follow the requirements of this provision. Moreover, the District's argument that only one vendor was available for the projects outlined above is untenable because unlike in the Commonwealth Procurement Code, there is no sole source exception at the local level.

In addition, as indicated in the body of our finding, we included in the cited expenditures of \$717,961 for this vendor only those expenditures for items that we determined were not solely service-related. We also did not include any expenditure for which the District had documentation that bid waivers from DE were received. It was incumbent upon the District to follow up on the waiver requests that were submitted to DE to determine if they had in fact received approval from DE to waive the advertising for bid requirement. In addition, South Eastern School District Policy No. 610 titled Purchases Subject to Bid/Quotation states: "The Business Manager shall

combine like items of supply and material whenever it is feasible and permissible under statute and shall not split purchases to avoid requirements for bidding.” Therefore, this finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the South Eastern School District (SESD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in five reported findings and one reported 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 SESD 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 SESD did implement recommendations related to the findings and the observation in our prior audit.

<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: Certification Deficiencies</i></u></p> <ol style="list-style-type: none"> 1. Implement procedures to track years of service for all individuals who are not permanently certified, to ensure that permanent certification is received timely. 2. Require the individuals cited in this finding to obtain the proper certification or reassign them to a position for which proper certification is held. 3. DE should adjust the District’s allocations to recover the subsidy forfeitures of \$4,223. 	<p>Background:</p> <p>Our prior audit found two certification deficiencies. One individual was assigned as an elementary teacher with an expired teaching certificate from September 2004 through July 2005, and one individual was assigned as an English teacher with an expired teaching certificate from February 2003 through June 2003. Consequently, the District was subject to subsidy forfeitures totaling \$4,223.</p>	<p>Current Status:</p> <p>Our current audit found that the first individual obtained a permanent Elementary certificate in August 2005. The second individual cited obtained his permanent English certificate in August 2003, and subsequently resigned from the District effective August 19, 2004.</p> <p>DE deducted the \$4,223 subsidy forfeiture from the District’s June 1, 2006 basic education funding payment, which resolved this finding.</p>
<p><u><i>II. Finding No. 2: Inadequate Internal Controls Over Administrative Travel and Other Expenditures</i></u></p> <ol style="list-style-type: none"> 1. Revise travel and expenditure policies to require the superintendent and assistant superintendent to submit their travel 	<p>Background:</p> <p>Our prior audit found a lack of internal controls, board policy and written procedures regarding the review and approval of travel and expense reports, which resulted in the following:</p> <ul style="list-style-type: none"> • No written administrative procedures regarding the review and approval of travel and expense reports; • The superintendent and assistant superintendent 	<p>Current Status:</p> <p>Our current audit found that the District complied with our recommendations as follows:</p> <ol style="list-style-type: none"> 1. The travel and expense reports submitted by the superintendent are approved by the business manager and one other employee, and are subject to board approval.

<p>and expense reports for administrative review and approval.</p> <ol style="list-style-type: none"> 2. Address the issue of paying for meals for other individuals. 3. Determine how the issue of purchases of educational supplies is to be handled. 4. Discontinue reimbursing employees for expenses of a personal nature. 5. Review the reimbursements identified in the finding as being questionable or duplicated and determine if any repayments by the individuals are warranted. 6. Develop written procedures governing the preparation, review and approval of travel and expense reports to ensure compliance with the intent of board policies. 7. Implement procedures to ensure verification of mileage reported on the District's Travel Authorization/Expense Reimbursement Form. 	<p>authorized and approved their own travel and expense reports without any administrative review or approval;</p> <ul style="list-style-type: none"> • Board policy failed to address the issue of paying for meals for individuals other than District employees; • Reimbursement of the cost of educational supplies, in violation of existing board policy; • Possible over-reimbursement of costs incurred; and • Inadequate verification of mileage claims. 	<ol style="list-style-type: none"> 2. The board policy for job-related expenses has been revised to include wording requiring prior board approval for payment of meals and travel expenses for any other persons. 3. District procedures now require educational supplies to be purchased using purchase orders requiring the approval of both the business manager and the superintendent. 4. Charging District expenses on a personal credit card is discouraged; however, reimbursement requests for such charges must be accompanied with a purchase order approved by the business manager and the superintendent, along with a copy of the credit card statement. 5. The board reviewed the possible over-reimbursements identified in the finding and concluded that the individual in question had spent more of her own resources on behalf of the District than the amount being questioned in the finding; therefore, it did not seek any reimbursement. 6. The District has established procedures for the review and approval of travel and expense reports for all employees. 7. The District's travel authorization/expense reimbursement form was revised to include odometer readings for mileage verification.
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<p><u>III. Finding No. 3: Board Members Failed to File Statements of Financial Interests in Violation of the State Ethics Commission Act</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District’s solicitor in regard to the board’s responsibility when an elected board member fails to file Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit found that two former board members failed to file Statements of Financial Interests for the year ended December 31, 2003, and one former board member failed to file a statement for the years ended December 31, 2004, 2003 and 2001.</p>	<p>Current Status:</p> <p>Our current audit found that the District complied with our recommendations and all board members filed their Statements of Financial Interests for the 2007, 2006 and 2005 calendar years.</p>
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<p><u>IV. Finding No. 4: Bus Driver’s Criminal Background Check and Child Abuse Clearance Were Not Provided Timely</u></p> <ol style="list-style-type: none"> 1. Enforce the provisions of the District’s transportation contract. 2. Review each driver’s qualifications prior to that person transporting students. 3. Maintain files for all contracted drivers and work with the contractors to ensure that the District’s files are up-to-date and complete. 	<p>Background:</p> <p>Our prior audit of the District’s contracted drivers’ files for the 2004-05 school year found that one bus driver was driving District students prior to providing the required criminal background check from the Pennsylvania State Police. As a result of our prior audit the bus driver provided the required clearance, noting no criminal record.</p>	<p>Current Status:</p> <p>Our current audit examined the files of 17 current drivers hired during the 2008-09 school year to ensure that their files contained all the mandated clearances and documentation. The District complied with our recommendations and all required documentation was in place for all 17 drivers.</p>
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<p><i>V. Finding No. 5: Improper Student Activity Fund Practices</i></p> <ol style="list-style-type: none"> 1. Direct that the high school check writing account and the middle school's check writing and miscellaneous office accounts be closed and their balances be turned over to specific student organizations, or the general fund, whichever is appropriate. 2. Refund to the student accounts the cost of those general fund items for which student funds had been used for the purchase. 3. Require athletic-related revenue and expenditure items to be removed from the student activities fund and accounted for in the athletic fund, under the supervision of the business manager, as required by Board Policy #7040.19. 4. Require District personnel to close all inactive accounts, as required by Board Policy #7040.15. 5. Ensure business functions are segregated and no one person has total control. 6. Require the middle schools' student activity accounts to be deposited into an interest-bearing account. 	<p>Background:</p> <p>Our prior audit found that District personnel continued to be in violation of Public School Code requirements, and found deficiencies in the management and control of various clubs, as follows:</p> <ul style="list-style-type: none"> • Operation of administratively controlled accounts within the student activity fund; • Expenditures of a general fund nature made through the student activity fund, and consequently made without board approval; • Payment of athletic-related items through the student activity fund; • Existence of inactive accounts; and • Internal control weaknesses. 	<p>Current Status:</p> <p>Our current audit found that the District did take the following corrective action:</p> <ol style="list-style-type: none"> 1. The District closed the high school check writing account and the middle school's check writing and miscellaneous office accounts and deposited their balances into the student council accounts at their respective schools. 2. No refund was due from the general fund as all monies received from students in all of the accounts were used for the students. 3. Athletic funds are now accounted for separately in an athletic fund. 4. All inactive accounts were closed. 5. Procedures have been established to ensure segregation of duties so that no one person has total control over the student activity funds. 6. The District has converted all student activity funds to interest bearing accounts, and the policy on special purpose funds has been revised to ensure that leftover funds from a graduating class are used for a proper school related purpose.
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<p><i><u>VI. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></i></p>	<p>Background:</p>	<p>Current Status:</p>
<p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District and the District's transportation contractors 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.</p> <p>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.</p>	<p>Our prior audit found that neither the District nor the transportation contractors had adequate written policies or procedures in place to ensure that the board and administration were notified if applicants were charged with or convicted of serious criminal offenses beyond the five-year look-back period, and to ensure that such convictions would be considered for the purpose of determining an individual's suitability to be in direct contact with children. We considered this lack of adequate written policies and procedures to be internal control weakness that could result in the employment of individuals who may pose a risk if allowed to have direct contact with children.</p>	<p>Our current audit found that the District complied with our recommendations by implementing a process to have the board review all new bus driver clearances. If a questionable history is indicated on any of the clearances, the board will review that individual in executive session and the board president will approve or deny that individual to drive for the District. This approval or denial is documented in a memo and kept on file in the District's transportation department. The District also revised its transportation policy to address reporting of arrests or convictions by current drivers. The driver handbook, which is provided to every driver, contains this policy.</p>

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 Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Thomas E. Gluck
Acting 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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
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

Dr. David Davare
Director of Research 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.

