



**CRAWFORD CENTRAL SCHOOL DISTRICT
CRAWFORD COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MAY 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Jan Van Tuil, Board President
Crawford Central School District
11280 Mercer Pike
Meadville, Pennsylvania 16335

Dear Governor Corbett and Ms. Van Tuil:

We conducted a performance audit of the Crawford Central School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period January 20, 2012 through March 13, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements. However, we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

May 22, 2014

cc: **CRAWFORD CENTRAL SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

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

Our audit scope covered the period January 20, 2012 through March 13, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 156 square miles. According to 2010 federal census data, it serves a resident population of 30,668. According to District officials, the District provided basic educational services to 3,848 pupils through the employment of 310 teachers, 189 full-time and part-time support personnel, and 22 administrators during the 2011-12 school year. The District received \$24,717,912 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one (1) matter unrelated to compliance that is reported as an observation.

Observation: Transportation Contractors Paid Over State Formula.

Our audit of the Crawford Central School District's (District) contracted pupil transportation costs for the school years ending June 30, 2009 through June 30, 2012, found that, over a four-year period, the contracted costs paid to the transportation contractors was more than the Pennsylvania Department of Education's final formula allowance, which is used to determine reimbursement of pupil transportation services (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Crawford Central School District (District) from an audit released on April 24, 2013, we found that the District had taken appropriate corrective action in implementing our recommendations to the findings pertaining to the reporting of pupil membership days for children placed in private homes (foster children) (see page 9), certification deficiencies (see page 10), the District's lacking managerial activities (see page 11), the Board President's possible conflict of interest (see page 12), and not having all school bus drivers' qualifications on file (see page 13).

Additionally, the District had taken corrective action in implementing our recommendations pertaining to the observation regarding the Memorandum of Understanding not being timely updated (see page 14).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 January 20, 2012 through March 13, 2014, except for the verification of professional employee certification, which was performed for the period October 27, 2011 through January 24, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

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 District's compliance with certain relevant 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?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on April 24, 2013, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Criteria relevant to the observation:

Chapter 23 of the State Board of Education Regulations states that the Board of School Directors is responsible for the negotiation and execution of contracts or agreements with contractors and approval of the drivers of the vehicles providing transportation.

The Pennsylvania Department of Education's final formula allowance provides for a per vehicle allowance based on the year of manufacture of the vehicle chassis, the approved seating capacity, the number of trips the vehicle operates, the number of days pupils were transported, the approved daily miles driven, any excess hours and the greatest number of pupils transported. The final formula allowance is adjusted annually by an inflationary cost index.

The District receives the lesser of the final formula allowance for the vehicles or the actual amount paid to the contractor, multiplied by the District's aid ratio.

Transportation Contractors Paid Over State Formula

Our audit of the Crawford Central School District's (District) transportation records for the school years ending June 30, 2009 through June 30, 2012, found that, over the four (4)-year period the District paid its bus contractors more than the final formula allowance calculated by the Pennsylvania Department of Education's (PDE).

PDE prepares a final formula allowance for each school district, which it uses to determine reimbursement for transportation services. This allowance is based on a number of factors, including the approved daily miles driven, the age of the vehicles, and the greatest number of pupils transported. Each district then receives the lesser of the final formula allowance for the vehicles or the actual amount paid to the contractor, multiplied by its aid ratio.

The following chart details the fluctuation in the District's contracted payments to the District's transportation contractors as compared to PDE's final formula allowance:

School Year	Contracted Cost	Final Formula Allowance	Cost Percentage of Allowance
2008-09	2,764,933	2,097,853	131.8%
2009-10	3,079,372	2,191,710	140.5%
2010-11	3,390,985	2,180,307	155.5%
2011-12	3,361,013	2,067,147	162.6%

A comparison of six (6) of the District's neighboring school districts found that those districts' average amount paid to contractors compared to PDE's final formula allowance for the 2011-12 school year was 124.1 percent—nearly 40 percent less than the Crawford Central School District paid for that year.

The District's business manager stated one (1) mill of real estate tax generated approximately \$443,163 for the 2011-12 school year. Therefore, the local share for transportation costs calculated out to an estimated 4.08 mills. That represents 8.2 percent of the total millage rate for the Crawford County portion of the District and 4.9 percent of the Mercer County portion.

District personnel provided us with the current pupil transportation contracts effective August 1, 2010 through July 31, 2015. The District's Board of School Directors (Board) did not seek competitive bids for the pupil transportation services. The District negotiates with the same local contractors that have been providing service for many years, because they are satisfied with the level of service being provided.

While bidding of pupil transportation service is not required under state law, competitive bidding can result in a lower cost to District taxpayers. Moreover, since PDE provides a state allowance, it would be prudent for the District to consider that the money that goes towards the transportation contract is local and state tax revenue that is not going towards educating the children of the District.

Recommendations

The *Crawford Central School District* should:

1. Consider bidding transportation contracts to determine if taxpayers would benefit from a more favorable contract for the District.
2. Be cognizant of the state's final formula allowance prior to negotiating transportation contracts.

Management Response

Management disagreed with the observation and further stated that "special needs transportation is a significant piece of the overall cost of transportation. It is our belief that the transportation contracts are in line with other districts and contractors not only in the county but also in the region."

Auditor Conclusion

As noted in the observation, the amount paid to the contractors when compared to PDE's final formula allowances for six (6) of the District's neighboring school districts averaged 124.1 percent of the formula compared to the District's 162.6 percent for the 2011-12 school year.

Additionally, the District's failure to seek competitive bids may have resulted in the taxpayers not receiving the most efficient cost for the pupil transportation operations.

And while we agree that special needs transportation may be a significant piece of the overall cost for the District, we note that the neighboring districts also have special needs transportation issues, and their costs are included in the previously mentioned 124.1 percent average.

The observation will stand as reported.

Status of Prior Audit Findings and Observations

Our prior audit of the Crawford Central School District (District) released on April 24, 2013, resulted in five (5) findings and one (1) observation, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior findings and observation. As shown below, we found that the District implemented our recommendations to the findings pertaining to the reporting of pupil membership days for children placed in private homes (foster children), certification deficiencies, the District's lacking managerial activities, the Board of School Directors' (Board) President's possible conflict of interest, and not having all school bus drivers' qualifications on file. Additionally, the District implemented our recommendations pertaining to the observation regarding the Memorandum of Understanding not being timely updated.

Auditor General Performance Audit Report Released on April 24, 2013

Finding No. 1: **Errors in Reporting Pupil Membership for Non-resident Children Placed in Private Homes Resulted in a Net Reimbursement Underpayment of \$85,956**

Finding Summary: Our prior audit of the District found that pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2008-09 and 200-10 school years found errors in the reporting of pupil membership days for children placed in private homes (foster children). The errors resulted in a net underpayment of \$85,956.

Recommendations: Our audit finding recommended that the District should:

1. Carefully perform an internal audit prior to submission of pupil membership reports to PDE to ensure all students' classifications are aligned with PDE's Pennsylvania Information Management System user manual.
2. Review reports for school years subsequent to our audit years for pupil classification accuracy and revise them, if necessary.

We also recommended that PDE should:

3. Adjust the District's allocations to resolve the net underpayment of \$85,956.

Current Status: During our current audit, for the 2010-11 and 2011-12 school years, we found that the District did implement our prior recommendations. One (1) student was misclassified in the 2010-11 school year, which

did not have a significant effect on the District's funding. The District correctly classified pupil membership for foster children for the 2011-12 school year.

As of the March 13, 2014, PDE has not adjusted the District's allocation to resolve the underpayment.

Finding No. 2: Certification Deficiencies

Finding Summary: Our prior audit of professional employees' certification for the period July 1, 2009 through October 27, 2011, found the following:

Two (2) individuals employed as technology integration specialists and two (2) individuals employed as literacy integration specialists for the 2011-12 school year did not hold proper certification for their positions. In addition, three (3) individuals employed as school-based prevention specialists for the 2009-10, 2010-11, and 2011-12 school years did not hold public school certificates.

The District was subjected to subsidy forfeitures of \$20,313 for the 2009-10, 2010-11, and 2011-12 school years.

Recommendations: Our audit finding recommended that the District should:

1. Put procedures in place to compare employee's certifications to the certification requirements of the assignments the District intends to give the employee.
2. Require the employees to obtain proper certification as required for the positions or reassign the individuals to an area in which proper certification are held.

We also recommended that PDE should:

3. Adjust the District's allocations to recover the subsidy forfeitures.

Current Status: During our current audit, for the 2013-14 school year, we found that the District did implement our prior recommendations. The review noted that the technology integration specialists and literacy integration specialists were reassigned to positions for which they were properly certified, and no additional certification deficiencies were noted other than the school-based prevention specialist position.

On June 19, 2013, the District petitioned PDE regarding the Bureau of School Leadership and Teacher Quality notice of final determination

and withholding by the Secretary of Education and a repeal of the notice has assessed subsidy forfeitures related to the technology integration specialist, literacy integration specialists, and school based prevention specialist positions.

On October 8, 2013, the District received a copy of the settlement and release agreement (Agreement) indicating that the total subsidy penalty to be assessed against the District for the period covered by the May 21, 2013 notice of final determination and withholding shall be reduced to zero (0). The Agreement further states that the Bureau is currently in the process of reviewing the requirements for appropriate certification for school personnel employed pursuant to the implementation of the Student Assistance Program (SAP), which include positions such as a school-based prevention specialist and plans to issue guidance related to any specific certification that may be required for such positions, and the District agrees to comply with any future written certification as it pertains to the position of school-based prevention specialist and any other similar or related SAP positions as may be created by the District.

As of March 13, 2014, the District has not received any certification guidance related to the school-based prevention specialist position.

Finding No. 3:

Board Fails to Properly Govern School District

Finding Summary:

Our prior audit found that the District's managerial activities lacked an appropriate level of oversight resulting in violations of the Public School Code (PSC). The review of board meeting minutes found the following:

- Compensation for a new professional employee was not approved by the Board.
- The Board approved the teacher's contract with the Crawford Central Education Association (CCEA); however, the contract was not included as an addendum in the official minute book. Further review noted the District did not have a signed contract with the CCEA.
- For the period July 2010 through February 2011, treasurer reports were not presented to the Board for approval.

Recommendations:

Our audit finding recommended that the District should:

1. Ensure that the Board approves individual professional salaries at an open board meeting.
2. Ensure the Board has a written contract to review prior to approval.
3. Ensure treasurer reports are presented to the Board on a monthly basis for approval.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. Our current review of board meeting minutes for the period September 26, 2011 through December 2, 2013, noted that professional employee's salaries were board approved upon appointment, contracts were included in the addendum section of the Board minute books to support the approvals, and treasurer reports were presented on a monthly basis for approval. It should be noted that the District still does not have a signed contract with the CCEA.

Finding No. 4:

School Board President Violation of Public School Code and a Possible Conflict of Interest

Finding Summary:

Our prior audit of the 2008-09 and 2009-10 school year found the District purchased goods from a business in which the Board President was a part owner. The Board President filed her Statement of Financial Interests (SFI) for the 2009 and 2010 calendar years. In both instances, the Board President disclosed a 50 percent ownership of a photo supply business. During the 2008-09 school year, the District purchased digital cameras and general supplies in the amount of \$1,116, and during the 2009-10 school year, the District purchased photography supplies in the amount of \$2,230 from the photo supply business the Board President indicated she was part owner. The review of board meeting minutes found that the Board President did not abstain from voting on the payment of these bills, as required by the Ethics Act. Moreover, this action conflicts with requirements in Section 324(a) of the PSC and the District's own policy.

Recommendations:

Our audit finding recommended that the District should:

1. Until a determination is made by the State Ethics Commission, immediately cease from doing business with the company in which the Board President reported she is part owner.
2. Comply with the PSC and the District's Board policy.

Current Status: During our current audit, for the 2010-11, 2011-12, 2012-13, and 2013-14 school years, we found that the District did implement our prior recommendations.

Following our prior audit, a meeting was held with the District's solicitor in which he stated that the Board President "over disclosed" on her SFI, and she is not an owner of the photo supply business but rather her husband is. For the 2011 and 2012 calendar years, the Board President's SFI did not find ownership in any business.

On May 28, 2013, the Board approved the revised board policy stating that a member shall not be engaged in a business transaction with the District, be employed by the District, or receive pay for services from the District except as provided by law.

As of March 13, 2014, the State Ethics Commission had not made a determination regarding the Board President's possible conflict of interest.

Finding No. 5: Failure to Have All School Bus Drivers' Qualifications on File

Finding Summary: Our prior audit of the 2011-12 school year of the District's school bus drivers' qualifications found that not all records were on file at the time of audit. Using random number generation, personnel records were reviewed for 51 of the 109 contracted drivers employed by the District and found that the District did not have the federal criminal history record for three (3) drivers on file.

Recommendations: Our audit finding recommended that the District should:

1. Ensure all bus drivers' qualifications documents are on file prior to hiring them to transport students.
2. Ensure that all the bus drivers' personnel files are kept up-to-date.

Current Status: During our current audit, for the 2013-14 school year, we found that the District did implement our recommendations. All qualifications are reviewed prior to transporting students, and the District's files were up-to-date.

Observation: **Memorandum of Understanding with Local Law Enforcement Not Updated Timely**

Observation Summary: Our prior audit found the Memorandum of Understanding (MOU) between the District and local law enforcement with jurisdiction over school property was not updated timely.

Recommendations: Our audit observation recommended that the District should:

1. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the PSC to ensure compliance with amended safe school provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with local law enforcement having jurisdiction over school property and file a copy with PDE's Office of Safe Schools on a biennial basis as required by law.

Current Status: During our current audit, we found that the District implemented our recommendation from the prior audit. The District has updated their MOUs on July 31, 2013, to comply with the General Provision within their MOUs.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.