



FRANKLIN AREA SCHOOL DISTRICT  
VENANGO COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

APRIL 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

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

Mr. Brian Spaid, Board President  
Franklin Area School District  
417 Thirteenth Street  
Franklin, Pennsylvania 16323

Dear Governor Corbett and Mr. Spaid:

We conducted a performance audit of the Franklin Area School District (FASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 15, 2010, through May 15, 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 FASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in three findings noted in this report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

April 24, 2013

cc: **FRANKLIN AREA SCHOOL DISTRICT** Board Members



# Table of Contents

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Finding No. 1 – Internal Control Breakdowns and Lack of Supporting Documentation for Nonresident Student Reimbursements Resulted in Overpayments Totaling \$396,111 .....	6
Finding No. 2 - Internal Control Weaknesses and Lack of Supporting Documentation for Pupil Transportation Reimbursements Totaling \$2,568,048 .....	12
Finding No. 3 – Failure to Have All School Bus Drivers’ Qualifications on File .....	16
Status of Prior Audit Findings and Observations .....	19
Distribution List .....	23



## Executive Summary

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### **Audit Work**

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

Our audit scope covered the period October 15, 2010, through May 15, 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 FASD encompasses approximately 186 square miles. According to the 2010 federal census data, it serves a resident population of 16,283. According to District officials, in school year 2009-10 the FASD provided basic educational services to 2,097 pupils through the employment of 179 teachers, 138 full-time and part-time support personnel, and 14 administrators. Lastly, the FASD received more than \$16.5 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the FASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for three compliance-related matters reported as findings.

#### **Finding No. 1: Internal Control Breakdowns and Lack of Supporting Documentation for Nonresident Student Reimbursements Resulted in Overpayments Totaling \$396,111.**

Our audit of the FASD's Pennsylvania Information Management System report for the 2009-10 school year and the Child Accounting Database report for the 2008-09 school year found breakdowns in internal procedures that resulted in the inaccurate reporting of nonresident pupil membership days to the Pennsylvania Department of Education (PDE) for wards of the state reimbursement. The reporting errors resulted in overpayments of \$151,685 and \$244,426, respectively, for the 2009-10 and 2008-09 school years, totaling \$396,111 (see page 6).

#### **Finding No. 2: Internal Control Weaknesses and Lack of Supporting Documentation for Pupil Transportation Reimbursements Totaling \$2,568,048.**

Our audit of the FASD's pupil transportation records and reports submitted to PDE for the 2009-10 and 2008-09 school years found internal control weaknesses and lack of support documentation for reimbursements of \$1,260,171 and \$1,307,877, respectively, totaling \$2,568,048 (see page 12).

**Finding No. 3: Failure to Have All School Bus Drivers' Qualifications on File.**

Our audit of the FASD's 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 provided to the FASD by the contractors as specified in the transportation contracts (see page 16).

**Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the FASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the FASD had not implemented our recommendations pertaining to internal control weaknesses and lack of supporting documentation in pupil transportation (see page 19).

However, the FASD did follow-up with PDE regarding the availability of alternative education grant subsidy reimbursement and learned that no additional funding was available for the 2007-08 school year or for the school years subsequent to our audit report (see page 20).



## 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 October 15, 2010, through May 15, 2012, except for the verification of professional employee certification, which was performed for the period August 11, 2010 through March 6, 2012.

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

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

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the FASD'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 state subsidy and reimbursement based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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 votes made by the District's board members free from apparent conflicts of interest?
- ✓ 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?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

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

*What are internal controls?*

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

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

FASD 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. In conducting our audit, we obtained an understanding of the District's internal controls, including any IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements and administrative procedures that we 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 control 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/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 the FASD's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 24, 2011, we reviewed the FASD's response to PDE dated February 28, 2011. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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### Internal Control Breakdowns and Lack of Supporting Documentation for Nonresident Student Reimbursements Resulted in Overpayments Totaling \$396,111

*Criteria relevant to the finding:*

Section 1306 of the Public School Code (PSC) provides for the education of nonresident children in institutions by the district in which the institution is located.

Section 2503(c) of the PSC provides, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of . . . section one thousand three hundred six . . . shall be paid by the Commonwealth an amount equal to the tuition charge. . . .”

Section 1308 of the PSC provides, in part:

“The district in which the institution is located shall obtain a blank acknowledging or disclaiming residence, signed by the secretary of the school district which the institution declares the legal residence of the child to be. If said district shall fail to file said blank within fifteen (15) days . . . the district in which the institution is located shall again notify the district. . . . If the district shall fail to comply within fifteen (15) days following the second notice, said failures to return blank shall be construed as an acknowledgment of said child’s residence. The tuition . . . shall be paid by the district of residence. . . .”

Our audit of the Franklin Area School District’s (FASD) Pennsylvania Information Management System (PIMS) report for the 2009-10 school year and the Child Accounting Data (CAD) report for the 2008-09 school year found internal control weaknesses and procedural breakdowns that resulted in inaccurate reporting of nonresident pupil membership days to the Pennsylvania Department of Education (PDE) for wards of the state reimbursement. The reporting errors resulted in overpayments of \$151,685 and \$244,426, respectively, for the 2009-10 and 2008-09 school years, totaling \$396,111.

A student is defined as a ward of the state when the student’s parent/guardian’s district of residence is unknown. In those instances, tuition is then paid by the Commonwealth.

#### Background

Situated within the FASD is an adolescent residential treatment facility (Facility), established under the auspices of the Pennsylvania Department of Public Welfare, which also operates a state-approved private school for court-placed juveniles.

The FASD and the Facility entered into a contractual agreement, approved by PDE, which clearly defines each party’s responsibilities to ensure propriety of information for tuition billing, state reimbursement, and membership reporting for each student placed in the Facility as required by PDE’s PIMS and CAD procedures.

“[I]f the institution cannot certify as to their residence, their tuition shall be paid . . . by the Commonwealth. . . .”

The contractual agreement between the Facility and the Franklin Area School District, with incorporated Pennsylvania Department of Education Letters of September 20, 1991, and October 17, 1991, outlines the responsibilities of the Franklin Area School District and the Facility.

PDE’s letters specified that funding would be in accord with PSC Sections 1306 and 1308.

Instructions for the completion of the PDE-4605, *Determination of District Residence for Students in Facilities or Institutions in Accordance with Section 1306 of the School Code*, state the form is to be sent “to the alleged school district of residence as soon as possible after enrollment of the nonresident student in a facility or institution. Upon completion and return from alleged school district of residence, retain this form along with documentation from the placing agency in the district’s files for possible review by auditors.” The instructions require districts receiving the form to give the reasons for disclaiming any students and to provide the correct school district, if it is known.

The PDE-4605 instructions for the educating district further state:

“If a response to the PDE-4605 is not received within 15 days, a second PDE-4605 should be mailed. If a response to the second PDE-4605 is not received within 15 days, assume acknowledgement.”

The FASD’s responsibilities include:

- on a quarterly basis, prepare and submit to each student’s parent/guardian’s district of residence a tuition statement based on membership information received from the Facility;
- conduct a quarterly review to verify that acknowledgement/disclaimer letters are mailed to every student’s parent/guardian’s district of residence to effectuate subsidy recovery; and
- submit documentation based on attendance reports compiled by the Facility in accordance with PDE regulations for child accounting.

To compensate the Facility for the education of court-placed students, PDE allowed the Facility to charge tuition through the FASD to the students’ parent/guardians’ school district of residence, or to request tuition subsidy reimbursement from PDE if the district of residence could not be verified. The FASD received a 5 percent administrative fee for the services provided to the Facility.

The Facility’s responsibilities include:

- on a quarterly basis, provide appropriate membership documentation to the District for tuition billing to each student’s parent/guardian’s school district of residence;
- provide the District with a list of all students by name, school district or state of residence, and the parent or guardian name for students covered by the agreement;
- maintain attendance reports as required by law and provide the membership information to the District; and
- maintain an annual attendance report as required by PDE for membership reporting and submit the report via the District to PDE.

These contractually established dual control procedures were meant to provide a mechanism to ensure the accuracy and validity of the Facility’s membership information prior to the District’s preparation and submission of tuition

invoices to the identified parent/guardians' districts of residence, and submission of membership reports to PDE for reimbursement for students whose parent/guardians' districts of residence are unknown.

The Pennsylvania Public School Code and PDE instructions require that for a student to be classified as a ward of the state:

- the student's parent/guardian's residency, as identified by the Facility's placement documents, must be disclaimed (parent/guardian does not reside in the identified district);
- the residency disclaimer form must be properly completed, timely signed, and any and all provided leads must be exhausted; and
- the disclaimed forms must be maintained on file to support the ward of state status for state reimbursement purposes.

#### 2009-10 School Year

Contractual provisions between the District and the Facility provided that attendance reports must be submitted by the Facility to the District annually. The District must then submit summary documentation based on attendance reports established by the Facility in accordance with PDE regulations for child accounting.

However, in the 2009-10 school year the District, without an amendment to the contract, relinquished their responsibility and permitted the Facility to directly report membership information to PDE through the District's child accounting software program.

Our audit found that the District did not verify the membership data submitted by the Facility to ensure that:

- all reported students were included in the District's records;
- all required parent/guardian residency forms were on file and properly completed; and

- the reported membership days were accurately reported.

This lack of data verification resulted in the following reporting errors:

- inaccurate reporting of 3,714 membership days by the Facility to PIMS for students that were not listed on the end-of-year membership report received by the District;
- double-counting of 768 membership days due to students' membership days being reported for both regular and special education, or to enrollment in multiple Facility programs simultaneously; and
- reporting 909 membership days that had no supporting documentation verifying or disclaiming the students' parent/guardians' districts of residence.

These errors resulted in an overpayment of \$151,685 in tuition for wards of the state.

#### 2008-09 School Year

According to the contract for the 2008-09 school year, the District was responsible for reporting student membership at the Facility using PDE's CAD reporting system.

Our audit of this report found that District personnel overstated membership days by 4,585 for students institutionalized at the Facility. This overstatement resulted in an overpayment of \$244,426 of tuition for wards of the state.

Our audit again found that the District did not verify that all of the students identified by the Facility as wards of the state had an appropriate parent/guardian residency form on file. Nor did they ensure that there was no double-counting of students who were enrolled in more than one program.

The over-reporting of membership days in the 2008-09 school year was attributable to a breakdown in internal controls in which both parties were meant to be responsible to the other to ensure the accuracy of membership data.

### Summation

The internal control breakdowns resulted from both the District and the Facility relying on their personnel to perform their assigned tasks without any managerial oversight or review. Without this review and verification process, the requirements of the contract were not being met, and data reported to PDE was incorrect, resulting in the total overpayments of \$396,911 for the 2009-10 and 2008-09 school years.

Nonresident membership data must be maintained in accordance with PDE guidelines and instructions, since they are major factors in determining the District's subsidies and reimbursements.

We have provided PDE with reports detailing the errors for use in recalculating the District's reimbursement.

### **Recommendations**

The *Franklin Area School District* should:

1. Review and re-implement all contractually required internal control procedures to ensure the accuracy of reported information.
2. Strengthen internal controls and communications with the Facility to ensure accurate reporting of student membership.
3. Review subsequent years to ensure that membership data is uploaded to PIMS accurately and is in agreement with District information, not just in total days but in all reported information; any variances should be researched and corrected.

The *Pennsylvania Department of Education* should:

4. Review the 2009-10 PIMS report and the 2008-09 CAD report and initiate any and all corrections to ensure the accuracy of the information and its impact on reimbursements.
5. Adjust the District's allocations to resolve the overpayments totaling \$396,111.



## Management Response

Management stated the following:

“Management agrees that, specifically in 2009-10 [the Facility] reported through District’s Student Information System membership days that did not match what they presented to the School District for billing purposes. Management had already contacted PDE and set up a receivable for this amount which the Auditors further adjusted. Management further agrees that [the Facility] supplied billing information for students on both regular and special education bills that was not caught and corrected by District office staff and so double-billing occurred. Finally, Management agrees that PDE-4605 forms for Wards of the State were not adequately scrutinized and cross-checked against the billing. Missing 4605’s had to be retrieved from [the Facility] and in some cases the School Districts providing disclaimers. Discrepancies between billing and membership occurred only in 2009-10, but double-billing of days and inaccurate or missing PDE-4605’s occurred in 2008-09 as well.”

## Finding No. 2

### Internal Control Weaknesses and Lack of Supporting Documentation for Pupil Transportation Reimbursements Totaling \$2,568,048

*Criteria relevant to the finding:*

Chapter 23 of the State Board of Education Regulations, Section 23.4 states, in part:

“The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including the following: . . .

(5) The furnishing of rosters of pupils to be transported on each school bus run and trip.

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones.”

In addition, Section 518 of the Public School Code required retention of these records for a period of not less than six years.

Instructions for completing PDE’s End-of-Year Pupil Transportation Reports state that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle.

Our audit of the District’s pupil transportation records and reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 and 2008-09 school years found internal control weaknesses and lack of support documentation for reimbursement of \$1,260,171 and \$1,307,877, respectively, totaling \$2,568,048.

The internal control weaknesses and lack of documentation of pupil transportation data reported to PDE for the 2009-10 and 2008-09 school years were as follows:

- Documentation to verify buses’ actual daily mileage with and without pupils was lacking. There was no supporting documentation retained to verify the weighting of daily miles generated by the District’s software program. Additionally, the daily mileage was computed using only the morning runs doubled, and not including the afternoon runs actual miles.
- District personnel failed to maintain documentation to support the District’s weighted averaging of the greatest number of pupils assigned to be transported. The greatest number of pupils assigned to each bus as computed by the District’s transportation software differed from the drivers’ lists of riders, and were not in agreement with the greatest number of pupils assigned reported by the District.
- Documentation of students who entered, withdrew, or relocated was inadequate. While the District transportation software generated a list of student “moves” (entries and withdrawals) during the year, there was no correlation between that list and the greatest number of pupils assigned to each bus as reported to PDE. Our review found that the number of pupils assigned at the beginning of the year, plus or minus the “moves,” did not agree with the greatest number of pupils assigned to the buses as reported by the District to PDE.

- Documentation to support the number of days transportation service provided by each bus showed that during the 2009-10 school year 10 of the 63 buses reported to PDE had days of service that were not in agreement with the days of service used by the District's computer software program when generating the weighted averaging of miles with and without pupils and the greatest number of pupils assigned.
- Documentation was inadequate to support the number of pupils transported on approved hazardous routes. Hazardous pupils are any pupils living in an area where the highway, road, or traffic conditions are such that walking constitutes a hazard to the safety of the child, as certified by the Pennsylvania Department of Transportation.
- Documentation was not available to support the number of nonreimbursable pupils reported. Nonreimbursable pupils are elementary pupils living within 1.5 miles of their school or secondary pupils living within two miles of their school who are transported by the District. Such pupils do not qualify for inclusion in transportation reimbursement calculations unless they are classified as exceptional children, are being transported to area vocational-technical schools, or are transported over certified hazardous walking routes. Without mileage readings from bus stops to school, the status of these pupils could not be verified.

The internal control weaknesses and lack of supporting documentation were the result of the pupil transportation director failing to prepare and retain necessary documentation to support the data reported to PDE, as required by PDE's guidelines and instructions.

Daily miles with and without pupils, the greatest number of pupils transported, the number of days of service, and the number of hazardous and nonreimbursable pupils are all integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with the State Board of Education's regulations and PDE's guidelines.

The failure to prepare and retain detailed pupil transportation documentation to support data submitted to PDE for reimbursement resulted in the auditor being unable to verify that the District received the correct pupil transportation reimbursement for either school years.

No monetary adjustment will be recommended to PDE as we were unable to verify all elements necessary to calculate the proper reimbursement for services provided.

Pupil transportation internal control weaknesses and lack of supporting documentation were the subjects of a finding in the prior audit report (see page 19).

## **Recommendations**

The *Franklin Area School District* should:

1. Prepare and retain documentation to support the weighting of daily bus mileages throughout the year. Include afternoon bus run mileage in determining the amount of miles to be reported.
2. Prepare and retain accurate bus rosters, along with documentation to support the greatest number of pupils assigned to each bus as reported to PDE.
3. Prepare and retain documentation that will reflect changes in bus rosters when students enter late, withdraw, or relocate.
4. Prepare and maintain documentation to support the number of days of service for each bus as reported to PDE.
5. Prepare and maintain documentation to support the number of hazardous route pupils reported to PDE.
6. Prepare and retain documentation regarding the distance from bus stops to schools. This information is necessary to accurately determine the status of nonreimbursable students.

7. Review transportation reports submitted to PDE for subsequent years of audit, and ensure, if possible, the reported information is accurate and the supporting documentation is on file for all data reported to PDE. Resubmit transportation reports if necessary.
8. Permit and encourage the District's transportation director and administrative support staff to attend conferences and training sessions relating to pupil transportation reporting and recordkeeping requirements.

**Management Response**

Management stated the following:

“The Director of Transportation has developed written procedures for record keeping which will be augmented by the Superintendent as needed to produce a cohesive plan of record keeping including specific duties of staff who . . . maintain records. Additionally, student rosters will be imported from the District's student information system, not inputted.”

### Finding No. 3

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

*Criteria relevant to the finding:*

The Pennsylvania Department of Transportation's 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 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 Franklin Area School District's 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 provided to the District by the contractors as specified in the transportation contracts.

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.

In addition, the District's pupil transportation contracts require that the contractors provide current clearances to the District for all contracted personnel.

Initially, we reviewed the personnel records for five randomly selected bus drivers employed by the District's pupil transportation contractors that were hired since the prior audit review was completed on August 20, 2010.

Our initial review found exceptions which resulted in an expansion of our test-work to include all 13 District drivers. Our expanded review found that the District did not have on file, at the time of the audit, 11 of 13 federal criminal histories, 5 of 13 Pennsylvania criminal histories, and 4 child abuse clearances.

In a memo dated March 3, 2012, District administrators attributed the breakdown in bus driver documentation internal controls to a lack of written procedures, a communication issue in which two secretaries each thought the other was performing the required procedures, a lack of crosschecking and referencing documents between the administrative and transportation offices, and reliance on information that was not up-to-date.

The District's Board Policy No. 819 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."

The failure to have the records on file at the District was also a result of District administrators failing to ensure that the contractors complied with the provisions of the transportation contract and the requirements of the District's Board Policy No. 810, relating to the hiring of new drivers.

On February 22, 2012, we informed the District's management of the missing documentation, and instructed them to immediately obtain the necessary documents to ensure that all drivers were properly qualified to transport and/or have direct contact with children. Three of the drivers' missing federal criminal histories were provided on March 1, 2012, leaving eight missing documents. Those records that were provided to the auditors showed no indication that the drivers should not continue to transport the District's students.

By not having required bus drivers' qualifications on file at the District, neither the District nor the board were able 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.

## Recommendations

The *Franklin Area School District* should:

1. Ensure that the District's director of transportation reviews each driver's current qualifications prior to that person transporting students.
2. Maintain files at the District, separate from the transportation contractor's files, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.
3. Require the transportation contractors to adhere to Board Policy #810 and to provisions of their contracts by providing the District documents identified in the contracts prior to the commencement of the school year and prior to the drivers having any contact with the District's students.

4. Develop written procedures that would eliminate communication breakdowns and require crosschecking and referencing of all bus drivers' documentation between the District's administrative and pupil transportation offices.

### **Management Response**

Management stated the following:

“Management has taken the following action to ensure adequate documentation is maintained. The District has purchased new transportation software . . . which has better report generation and should enable the Transportation Director to better reconcile raw data from contractors such as bus driver lists, expiration of physical examinations, licenses and dates of expiration of clearances with information in the software system.

The Director of Transportation will ensure that each driver has their appropriate clearances before School Board approval. The transportation contractors shall provide the Director of Transportation with the mandated clearances for the District's records.”



## Status of Prior Audit Findings and Observations

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Our prior audit of the Franklin Area School District (FASD) for the school years 2007-08 and 2006-07 resulted in one reported finding and one observation. The finding pertained to internal control weaknesses in reporting transportation data, and the observation pertained to a failure to apply for alternative education funding. 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 FASD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the FASD did not implement all the recommendations related to internal control weaknesses and lack of supporting documentation in pupil transportation finding. The FASD did implement the recommendations to address the observation for the failure to apply for alternative education funding.

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### School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

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**Finding:** **Internal Control Weaknesses and Lack of Supporting Documentation**

Finding Summary: Our prior audit identified several internal control weaknesses in the collecting and transmitting of transportation data to PDE for reimbursement. Because of these weaknesses, we were unable to verify the data reported. No monetary adjustment was recommended to PDE as the audit was unable to verify all the elements necessary to calculate the proper reimbursement for services provided.

Recommendations: Our audit finding recommended that the FASD:

1. Prepare and retain updated pupil rosters to support the greatest number of pupils assigned to each bus reported to PDE.
2. Prepare and retain supporting documentation for all students that entered, withdrew, or relocated within the District to support the District's weighted average calculation and in accordance with PDE guidelines and instructions.
3. Prepare and retain bus mileage documentation identifying miles with and without pupils for all buses.
4. Prepare and retain source documentation used to support the number of hazardous and nonreimbursable pupils transported.
5. Conduct an internal control review to ensure the amount paid contractors is accurately reported to PDE.

6. Report only reimbursable (to and from school) contracted transportation costs.
7. Review transportation reports submitted to PDE for subsequent years of audit, and ensure the reported information is accurate and the supporting documentation is on file to support all data reported to PDE. Resubmit transportation reports to PDE if necessary.
8. Permit and encourage the District's transportation director and administrative support staff to attend conferences and training sessions relating to pupil transportation reporting and recordkeeping requirements.

Current Status:

During our current audit procedures, we found that the FASD did implement recommendations 5, 6, and 8. However, weaknesses were still evident with regard to the other recommendations. As a result, a similar finding is in this audit report (see Finding No. 2).

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**Observation:**

**Failure to Apply for Alternative Education Funding**

Observation

Summary:

Our prior audit of the District's alternative education for disruptive youth funding for the 2007-08 and 2006-07 school years found the District's board of directors entered into a consortium agreement with an adolescent center to provide alternative education to the District's students for the 2007-08 school year.

The District was entitled to receive \$21,540 in alternative education grant funding for the 2007-08 school year. However, as a result of the approved consortium agreement, District personnel believed the District was not entitled to apply for the grant funding, believing instead that the adolescent center was entitled to the funding. Therefore, they did not submit documentation to PDE for the grant.

Recommendations:

Our audit observation recommended that the FASD:

1. Implement corrective action that would ensure that all approved grant funds are applied for.
2. Thoroughly review consortium agreements to ensure the District's taxpayers financially benefit and District personnel have a complete understanding of the language contained therein.

3. Contact PDE to see if retroactive applications for the funding are permitted.

Current Status:

During our current audit procedures, we found that the FASD did contact PDE to see if retroactive applications for the 2007-08 school year funding were permitted and were informed that all of the subsidy reimbursement allowance had been allocated and therefore no funding was available to the District. Our research also confirmed that the alternative education grant funding expired at the end of the 2008-09 school year. Therefore, no further corrective action was possible.



## **Distribution List**

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Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

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

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

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