

NORTH PENN SCHOOL DISTRICT  
MONTGOMERY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2009



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

Mr. Vince Sherpinsky, Board President  
North Penn School District  
401 East Hancock Street  
Lansdale, Pennsylvania 19446

Dear Governor Rendell and Mr. Sherpinsky:

We conducted a performance audit of the North Penn School District (NPSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 14, 2005 through April 21, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, 2005, 2004 and 2003, as they were the most recent reimbursements subject to audit. 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 NPSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

March 3, 2009

cc: **NORTH PENN SCHOOL DISTRICT** Board Members

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the North Penn School District (NPSD). 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 NPSD in response to our prior audit recommendations.

Our audit scope covered the period April 14, 2005 through April 21, 2008, 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 2005-06, 2004-05, 2003-04 and 2002-03, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

### **District Background**

The NPSD encompasses approximately 43 square miles. According to 2000 federal census data, it serves a resident population of 92,771. According to District officials, in school year 2005-06 the NPSD provided basic educational services to 13,046 pupils through the employment of 977 teachers, 972 full-time and part-time support personnel, and 59 administrators. Lastly, the NPSD received more than \$24.6 million in state funding in school year 2005-06.

The NPSD invested \$668,575 in Hummelstown General Authority (Authority) Bond Anticipation Revenue Notes (Notes) through bond underwriter Dolphin and Bradbury, Inc., a Philadelphia based investment firm. The related bonds were being used to build a golf course in Franklin County. The Authority defaulted in paying to the NPSD principal and interest on the Notes upon maturity on September 1, 2004. The NPSD intended to pursue all available legal remedies to recover the amounts due and seek damages from those liable to the NPSD for any losses.

According to a "Notice of Payment to Noteholders" (Notice) issued by the financial institution acting as trustee (Trustee), in April of 2006 the Authority sold the Whitetail Golf Resort to a third party, and the proceeds of the sale, \$3,435,792, were deposited with, and remained held in trust by, the Trustee. On February 6, 2007, the NPSD received their pro-rata share of the proceeds, plus interest earned by the trustee, in the amount of \$161,196. The result was a \$507,379 investment loss to the NPSD. According to the Notice, it is not anticipated that any additional funds will become available for payment to noteholders.

## **Audit Conclusion and Results**

Our audit found that the NPSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings and one matter unrelated to compliance that is reported as an observation.

### **Finding 1: Internal Control Weaknesses Resulted in Uncollected Tuition of \$94,656 and a Net Subsidy and Reimbursement Underpayment of \$4,695.**

Our audit of pupil membership found errors in tuition billed for the 2005-06 and 2003-04 school years, errors in resident and nonresident data reported for the 2005-06 and 2003-04 school years, and failure to retain the district's attendance detail report for the 2004-05 school year. NPSD management agreed with the finding (see page 7).

### **Finding 2: Health Services Reimbursement Underpayment of \$4,374.**

Our audit of the NPSD's health services reimbursement applications submitted to the Department of Health found errors in the average daily membership reported for the 2005-06 school year. NPSD management agreed with the finding (see page 13).

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

Our current audit found that the NPSD's policy of random background checks does not apply to employees of the NPSD's transportation contractors, and none of the

district's transportation contractors has a written policy or procedure in place to inform the district if one of their drivers is arrested or convicted of a crime that would call into question the driver's suitability to continue to have direct contact with children. NPSD management disagreed with the observation (see page 15).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the NPSD from an audit we conducted of the 2001-02 and 2000-01 school years, we found the NPSD had not taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses related to bus drivers' qualifications (see page 18).



## 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 April 14, 2005 through April 21, 2008, except for certification which was reviewed for the period January 29, 2005 through December 7, 2007.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06, 2004-05, 2003-04 and 2002-03 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 NPSD'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 objectives:

- ✓ Were professional employees certified for the positions they held?

*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.

- ✓ In areas where the District receives state subsidy 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 receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ 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.

NPSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released September 19, 2005, we reviewed the NPSD's response to DE dated November 17, 2005. We then performed additional audit procedures targeting the previously reported matters.



## Findings and Observations

### Finding No. 1

### Internal Control Weaknesses Resulted in Uncollected Tuition of \$94,656 and a Net Subsidy and Reimbursement Underpayment of \$4,695

*Public School Code (PSC) Section relevant to this finding:*

Section 2562 provides, in part:

For each elementary or high school pupil attending a public school of another district, the receiving district shall bill the sending district, and the sending district shall pay the amount of the tuition charge per elementary pupil, or the tuition charge per high school pupil, as the case may be. In the case of pupils attending the receiving district's public schools for less than a full school term, the tuition charge per elementary or high school pupil shall be prorated by reference to the period of time over which such pupils actually attended the receiving district's schools.

Our audit of pupil membership for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found the following:

- errors in tuition billed for the 2005-06 and 2003-04 school years;
- errors in resident and nonresident data reported for the 2005-06 and 2003-04 school years; and
- failure to retain the District's attendance detail report for the 2004-05 school year.

Our audit of tuition bills for regular education students found errors resulting in uncollected tuition of \$94,656, as follows:

<u>District-Paid Tuition</u>	<u>2005-06</u>	<u>2003-04</u>	<u>Total</u>
Philadelphia City	\$56,660	\$19,914	\$76,574
Norristown Area	<u>9,315</u>	<u>-</u>	<u>9,315</u>
District-Paid Total	\$65,975	\$19,914	\$85,889
<u>Parent-Paid Tuition</u>			
Parent #1	\$ -	\$ 299	\$ 299
Parent #2	-	161	161
Parent #3	<u>-</u>	<u>8,307</u>	<u>8,307</u>
Parent-Paid Total	\$ -	\$ 8,767	\$ 8,767
Grand Total	<u>\$65,975</u>	<u>\$28,681</u>	<u>\$94,656</u>

*Criteria relevant to this finding:*

DE's child accounting guidelines and instructions require the accurate reporting of pupil membership days and student classifications, since these are major factors used by DE to calculate various subsidies and reimbursements, including, but not limited to BEF and tuition for children placed in private or group homes.

District personnel made the following errors:

- failed to bill for nine students in the 2005-06 school year and six students in the 2003-04 school year;
- billed for an incorrect number of days, at an incorrectly calculated daily tuition rate, for four students in the 2003-04 school year. The daily tuition rate for four students was incorrectly calculated by dividing the annual tuition rate by the wrong number of days in session for the year; and
- billed for a full year of tuition in the 2003-04 school year at the prior year's tuition rate for one student, and then failed to collect the amount billed.

The incorrect tuition billing errors went undetected as a result of internal control weaknesses. The departments responsible for tuition billing and child accounting did not reconcile tuition bills with membership records. Additionally, the failure to bill tuition for some students was directly caused by the incorrect reporting of nonresident membership for those students, as discussed below.

Errors in Resident and Nonresident Data

Our audit of documentation supporting pupil membership reports submitted to the Department of Education (DE) found errors in resident and nonresident data. The errors resulted in a net underpayment in subsidies and reimbursements of \$4,695, as follows:

<u>Description</u>	<u>(Over)/Underpayments</u>		
	<u>2005-06</u>	<u>2003-04</u>	<u>Totals</u>
Basic Education Funding (BEF) Tuition for Children Placed in Private Homes	\$ -	\$ 120	\$ 120
	<u>6,145</u>	<u>(1,570)</u>	<u>4,575</u>
Totals	<u>\$6,145</u>	<u>\$(1,450)</u>	<u>\$4,695</u>

The membership errors were as follows:

<u>Classification</u>	<u>Membership Days</u> <u>(Over)/Understated</u>	
	<u>2005-06</u>	<u>2003-04</u>
<u>Resident</u>		
Kindergarten	4,992	-
Elementary	3,283	206
Secondary	28,150	3,544
<u>Nonresident</u>		
<u>Children Placed in Private Homes</u> <u>(Educated by the District of</u> <u>Residence of the Foster Parents)</u>		
Kindergarten	(20)	-
Elementary	104	(24)
Secondary	(420)	(59)
<u>Children Placed in Private Homes</u> <u>(Educated by a District Other Than</u> <u>the District of Residence of the Foster</u> <u>Parents)</u>		
Elementary	16	24
<u>Institutionalized: Wards of the State</u>		
Elementary	-	(72)
Secondary	445	123
<u>Institutionalized: Not Wards of the</u> <u>State</u>		
Elementary	-	(8)
Secondary	1,098	258
<u>District-Paid Tuition</u>		
Elementary	99	80
<u>Tuition Waiver</u>		
Kindergarten	20	-
Elementary	21	-
Secondary	31	-

The internal control weaknesses were:

- the failure to reconcile data reported to DE with the District's attendance detail report and reports from the Community Service Foundation (residential home for court-placed students);
- the failure to reconcile district membership data to North Montco Technical Career Center membership data;
- a lack of understanding of how to report resident and nonresident membership for students enrolled in intermediate unit (IU) programs;
- the misplacement of nonresident membership documentation, and the failure to carefully review agency placement letters for children placed in private homes;
- the failure to carefully monitor the districts of residence for students in facilities or institutions; and
- the misclassification of resident and nonresident students, and clerical errors.

As a result of the weaknesses in internal controls, the following errors were made:

- inaccurate reporting of grade level resident membership for the 2005-06 and 2003-04 school years;
- inaccurate reporting of resident and nonresident membership for children placed in private homes during the 2005-06 and 2003-04 school years; for institutionalized wards and nonwards during the 2005-06 and 2003-04 school years; and, for tuition waiver students during the 2005-06 school year;
- inaccurate reporting of resident and nonresident membership days for students enrolled at North Montco Technical Career Center during the 2005-06 and 2003-04 school years;



*Criteria relevant to this finding:* School districts are required to maintain sufficient, competent and relevant evidence to support their reported data. Section 518 of the PSC requires that records be retained for a period of not less than six years.

- inaccurate reporting of resident and nonresident membership for children placed in programs administered by Montgomery County IU #22 during the 2005-06 and 2003-04 school years; and
- inaccurate reporting of resident and nonresident membership for children placed by the court into the Community Service Foundation program during the 2005-06 and 2003-04 school years.

#### Failure to Retain the District's Attendance Detail Report

The District's attendance detail report for the 2004-05 school year was not retained for audit. As a result, 2004-05 resident and nonresident membership was not auditable.

#### **Recommendations**

*North Penn School District personnel* should:

1. Send revised tuition bills to Philadelphia City and Norristown Area school districts to collect the amounts due.
2. Attempt to collect underbilled and uncollected tuition from parents by sending revised tuition bills.
3. Establish procedures to reconcile tuition billing data with membership records.
4. Ensure the correct annual tuition rate is used in tuition billing.
5. Review tuition bills for subsequent years, and if similar errors are found, submit revised billings to the affected districts or parents.
6. Establish reconciliation procedures between district membership data and data reported to DE to ensure all membership is reported.
7. Establish reconciliation procedures between district membership data and North Montco Technical Career Center data to ensure the correct reporting of vocational students.

8. Ensure the accurate reporting of children attending IU classes.
9. Ensure the accurate reporting of children placed in private homes, institutionalized wards of the state and nonwards, as well as district-paid, parent-paid and tuition waiver students.
10. Review child accounting reports for years subsequent to the audit, and if errors are noted, submit revisions to DE.
11. Retain all documentation necessary for audit.

The *Department of Education* should:

12. Adjust the District's allocations to resolve the net subsidy and reimbursement underpayment of \$4,695.

### **Management Response**

Management agreed with the finding and stated:

This finding resulted from the district's failure to report the proper student enrollment. We did not use available data to properly reconcile our reports before submitting them to the state. To remediate this issue we will take the following actions:

1. Provide additional training to all parties involved in the collection of our child accounting data;
2. Hold internal quarterly review of the reports with a representative from the student services department, the business department, and the child accounting secretary;
3. Reconcile reports with all other available data; and
4. Centralize billing for all tuition payments.

The actions will provide a series of checks and balances to avoid repetition of the discrepancies.

**Finding No. 2**

*PSC Section relevant to this finding:*

Section 2505.1 of the PSC provides for a reimbursement of the lesser of the cost of health services programs or \$1.60 for medical services and \$7.00 for nurse services for each child enrolled in a school for the entire term and a proportionate share for each child enrolled for part of a term. In addition, Act 25 of 1991 established that districts would receive an additional reimbursement for health services of \$9.70 multiplied by the district's total ADM.

**Health Services Reimbursement Underpayment of \$4,374**

Our audit of the District's health services reimbursement applications submitted to the Department of Health (DH) for the 2005-06, 2004-05, 2003-04 and 2002-03 found errors in the average daily membership (ADM) reported for the 2005-06 school year only. These errors resulted in a reimbursement underpayment of \$4,374, detailed as follows:

<u>Reported</u>	<u>ADM</u>		<u>Underpayments</u>			<u>Total</u>
	<u>Audited</u>	<u>Understated</u>	<u>Medical</u>	<u>Nurse</u>	<u>Act 25</u>	
16,063.000	16,302.045	239.045	\$382	\$1,673	\$2,319	\$4,374

The understatement of ADM was caused by the membership errors detailed in Finding No. 1.

DH will be provided a copy of this finding by DE for use in making the necessary reimbursement adjustment.

**Recommendations**

*North Penn School District personnel* should:

1. Reconcile the ADM reported on the health services reimbursement application to final membership summary reports to ensure that all eligible membership is included on these applications.
2. Reconcile reports subsequent to the years of this audit and, if errors are found, file revised reports with DH.

The *Department of Health* should:

3. Adjust the District's allocations to resolve the reimbursement underpayment of \$4,374.

**Management Response**

Management agreed with the finding and stated:

This finding resulted from the district's failure to report the proper student enrollment. We did not use available data to properly reconcile our reports before submitting them to the state. To remediate this issue we will take the following actions:

1. Provide additional training to all parties involved in the collection of our child accounting data;
2. Hold internal quarterly review of the reports with a representative from the student services department, the business department, and the child accounting secretary;
3. Reconcile reports with all other available data; and
4. Centralize billing for all tuition payments.

The actions will provide a series of checks and balances to avoid repetition of the discrepancies.

**Observation** →

**Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

*Criteria relevant to the observation:*

PSC Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the CPSL, 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our current audit found that none of the district's transportation contractors have a written policy or procedure in place to inform the District if one of their drivers is arrested or convicted of a crime that would call into question the driver's suitability to continue to have direct contact with children.

This observation represents the continuation of the observation included in our prior audit report. Although the District implemented random background checks on all district employees beginning in July of 2005 in response to our prior recommendations, this policy does not apply to employees of the district's transportation contractors.

The ultimate purpose of requirements of the Public School Code (PSC) and the Child Protective Services Law (CPSL) is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our review of the personnel records of a random sample of 48 of 240 bus drivers currently employed by the North Penn School District (NPSD) and the District's transportation contractors again found that these individuals possessed the minimum requirements to be employed as bus drivers and that the NPSD had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the NPSD from hiring any of the drivers. Therefore, we concluded that the NPSD has satisfied the minimum legal requirements set forth in both

the PSC and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicants' suitability to have direct contact with children.

However, as noted previously, the contractor does not have written policies or procedures in place to ensure that the District is notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

### **Recommendations**

The *North Penn School Board and administrators* should consider, in consultation with the district's solicitor:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of 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.
2. Implement written policies and procedures to ensure the district is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

### **Management Response**

Management disagreed with the observation and stated:

The North Penn School District has a strong process in place to ensure compliance with required background checks of all newly hired employees. The auditors reviewed a significant sample of NPSD bus driver records, as well as those of our contractors, and found no irregularities. Also, as you have acknowledged, there is no requirement for continual checks of current employees. In spite of the lack of requirements to conduct follow-up employee checks, the district has initiated random checks for all employees. This "observation" specifically addresses the fact that our contractor does not utilize the

same random check of their drivers. Until there is a requirement to do random checks and funding available to accomplish the same, the district does not require contractors to do so.

**Auditor Conclusion**

As stated in the body of the observation, the District's transportation contractors do not have a policy or procedure to notify them when drivers are charged with or convicted of crimes that call into question the employees' suitability to continue to have direct contact with children. The policy or procedure can be a direct one where the contractors periodically obtain required clearances on their employees or an indirect one where the contractors have personnel policies and/or procedures that require employees to notify their employer when they are charged with certain crimes or child abuse. The observation will stand as written.

**Status of Prior Audit Findings and Observations**

Our prior audit of the North Penn School District (NPSD) for the school years 2001-02 and 2000-01 resulted in one reported observation. The observation pertained to weaknesses in internal controls over bus drivers’ qualifications. As part of our current audit, we determined the status of corrective action taken by the NPSD to implement our prior recommendations. We analyzed the NPSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned NPSD personnel regarding the prior observation. As shown below, we found that the NPSD did not fully implement recommendations related to internal controls over transportation contractor drivers’ qualifications.

<i>School Years 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications</i></u></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 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><b>Background:</b></p> <p>Our prior audit of bus drivers’ qualifications found that neither the District nor its transportation contractors had written policies or procedures in place to ensure the district is notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual’s continued suitability to be in direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented random background checks on all District employees beginning in July of 2005, using a method that ensures that all District employees will be selected once during a three-year period. However, this policy does not apply to employees of the District’s transportation contractors. None of the district’s contractors have a written policy or procedure in place to inform the District if one of their drivers is arrested or convicted of a crime that would call into question the driver’s suitability to continue to have direct contact with children.</p> <p>Based on the results of our current audit, we concluded that the District <u>did not</u> take sufficient corrective action to completely address this observation.</p>



## **Distribution List**

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

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

The Honorable Gerald Zahorchak, D.Ed.  
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  
Republican 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

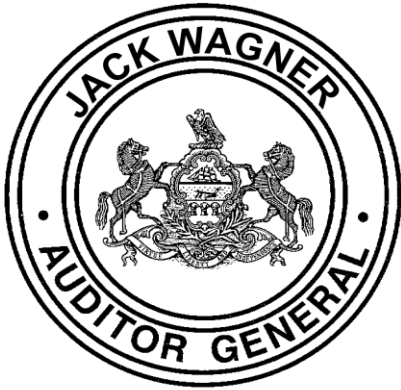
Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

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

Ms. Barbara Nelson  
Acting Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4<sup>th</sup> 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



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