

PERFORMANCE AUDIT

North East School District Erie County, Pennsylvania

November 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Frank McClard, Superintendent
North East School District
50 East Division Street
North East, Pennsylvania 16428

Mr. Kerry Corbin, Board President
North East School District
50 East Division Street
North East, Pennsylvania 16428

Dear Dr. McClard and Mr. Corbin:

We have conducted a performance audit of the North East School District (District) for the period of August 16, 2013 through August 21, 2015. We evaluated the District's performance in the following areas:

- School Safety
- Bus Driver Requirements

This audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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.

Our audit found that the District performed adequately in the areas listed above except as noted in the following finding:

- District Failed to Ensure School Bus Drivers Met All Employment Requirements

Dr. Frank McClard
Mr. Kerry Corbin
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Our audit finding 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. We appreciate the District's cooperation during the course of the audit.

Sincerely,



Eugene A. DePasquale
Auditor General

November 5, 2015

cc: **NORTH EAST SCHOOL DISTRICT** Board of School Directors

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Background Informationⁱ

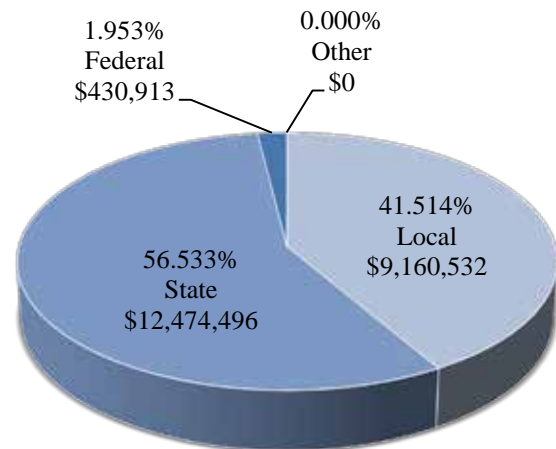
School Characteristics 2014-15 School Year ⁱⁱ	
County	Erie
Total Square Miles	43.11
Resident Population ⁱⁱⁱ	10,956
Number of School Buildings	3
Total Teachers	124
Total Full or Part-Time Support Staff	122
Total Administrators	9
Total Enrollment for Most Recent School Year	1,645
Intermediate Unit Number	5
District Vo-Tech School	Erie County Technical School

Mission Statement

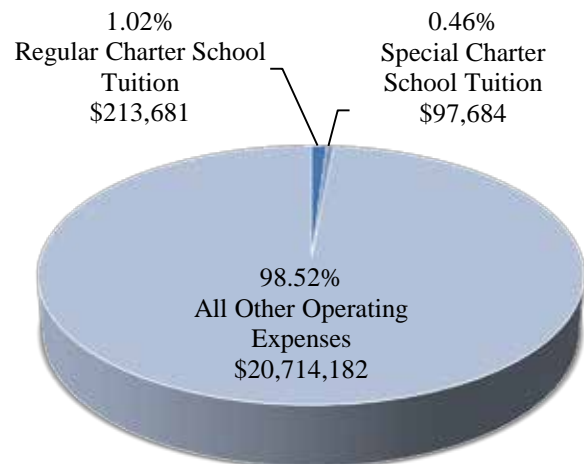
“The Mission of the North East School District is to challenge, empower, and engage all students to develop and achieve personal and career aspirations to pursue lifelong learning, and to be responsible and accountable citizens in a dynamic world.”

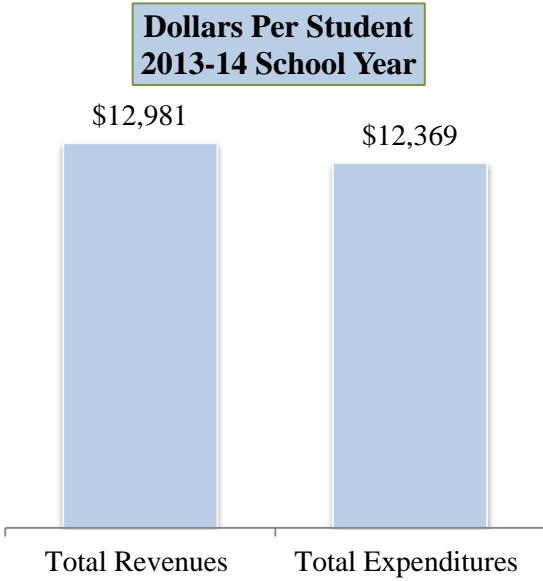
Financial Information

Revenue by Source for 2013-14 School Year



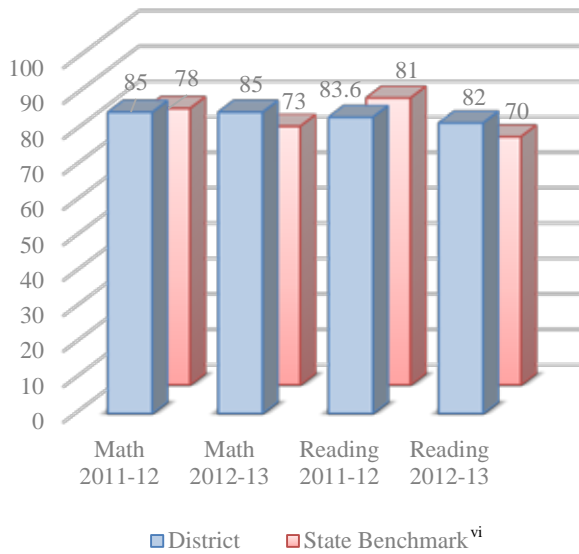
Select Expenditures 2013-14 School Year





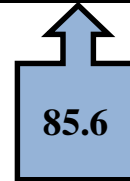
Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA^{iv v}



District's 2012-13 SPP Score^{vii}

A	B	C	D	F
90-100	80-89.9	70-79.9	60-69.9	<60
▲	▲	■	▼	▼



**Individual Building SPP and PSSA Scores^{viii}
2012-13 School Year**

School Building	SPP Score	PSSA % School Proficient and Advanced in Math	PSSA % Statewide Benchmark Proficient and Advanced in Math	PSSA % School Proficient and Advanced in Reading	PSSA % Statewide Benchmark Proficient and Advanced in Reading	Federal Title I Designation (Reward, Priority, Focus, No Designation)^{ix}
North East Intermediate Elementary	90.2	87	73	84	70	N/A
North East High School	83	74	73	81	70	N/A
North East Middle School	81.4	88	73	81	70	N/A

Findings and Observations

Finding

District Failed to Ensure School Bus Drivers Met All Employment Requirements

Criteria relevant to the finding:

Section 111(b) of the Public School Code (PSC), 24 P.S. § 1-111(b), requires prospective school employees who 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, as well as federal criminal history background checks provided by the Pennsylvania Department of Education.

Additionally, Chapter 23 (relating to Pupil Transportation) of the State Board of Education's regulations, among other provisions, provides 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. (See in particular 22 Pa. Code § 23.4)

The District failed to maintain all employment records for District bus drivers. We reviewed the personnel records of all of the District's 15 bus drivers and found that for 2 drivers, the District had the "unofficial copy" of their federal criminal clearances on file but not the required "official copy." The "unofficial copy" is provided to the applicant and cannot be used as the "official copy" that is to be reviewed by the District. Additionally, our review noted that one of these 2 drivers' child abuse clearances had their last name misspelled, and the clearance could not be verified as being accurate because the date of birth was not listed nor was the social security number listed. By not having required bus drivers' qualification documents on file at the District, the District was not able to review the documents to determine whether all drivers were qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

Effective December 1, 2008, the Pennsylvania Department of Education (PDE) began using new procedures for obtaining federal criminal history background checks for prospective public school and private school employees. Under the new system, PDE provides access to federal criminal history record information online to approved hiring entities (public and private schools) via a secure website. Personnel were not aware of the change in procedures until the 2013-14 school year when they were completing an on-line survey and they realized their error of accepting the "unofficial copy" of the federal criminal history clearance. Even though the District became aware of the error, they did not perform an internal audit of the drivers' records which would have found these incorrect clearances.

On July 27, 2015, we informed District management of the discrepancies and instructed them to immediately obtain the necessary documents so they could ensure drivers are properly qualified to have direct contact with children. District management stated that the child abuse clearance would be obtained immediately and the federal criminal history clearances will be obtained for all employees in August as the intermediate unit's mobile fingerprinting unit will be at the District.

Recommendations

The *North East School District* should:

1. Ensure that all federal criminal record checks are done in accordance with the prescribed method of PDE.
2. Obtain a new child abuse clearance for the employee whose last name is misspelled.
3. Perform an internal audit of the bus drivers' personnel files to ensure proper clearances are on file.

Management Response

Management stated the following:

“At the time that these drivers obtained their federal clearances, the school district was not aware that they have the ability to access the system to print out official copies or verify the results.

The two drivers in question will have new clearances processed on Tuesday August 25th 2015. The school district has contracted with Intermediate Unit 5 to have the fingerprinting mobile unit available in the district during this time to complete this process for all of our personnel who need to have this done. A complete schedule is available for review if needed.

With regard to the incorrect spelling of the last name of one of the district bus drivers on the child abuse clearance done in 2013, the district has resubmitted an application for the driver with the correct spelling of the driver's last name. Once received, we will provide a copy to you.

While we understand the state’s concern with not having the official verification of the clearance available in the personnel files of the two drivers in question, we want to reiterate that at the time that the drivers had obtained their original clearances, this was not a possibility on the part of the district. We can now take care of this for any current or future employees and have and will be doing so.”

Auditor Conclusion

We are encouraged that the District is taking corrective action to ensure that all District bus drivers have met all the appropriate school bus driver employment requirements. We will review this corrective action during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on February 11, 2014, resulted in one finding. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We reviewed the District's written response provided to PDE, interviewed District personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released in February 11, 2014

Prior Finding

The North East School District Lacks Sufficient Internal Controls Over Its Student Record Data

Prior Finding Summary:

Our prior review of the 2011-12 school year noted the District's internal controls over data integrity needed to be improved. Specifically, we found the District did not have adequate procedures in place to ensure continuity over its Pennsylvania Information Management System (PIMS) data submission in the event of a sudden change in child accounting data vendors; data input into the PIMS system was not reviewed for consistency and accuracy by someone other than the person who does the data input; the District did not have anyone cross-trained to take over for the staff member who handles PIMS responsibilities in the event of a change of personnel; and the District incorrectly reported two non-resident students who were court-placed foster children. The reporting error resulted in an insignificant underpayment to the District.

Prior Recommendations:

Our prior finding recommended that the District should:

1. Prepare documented procedures (e.g. procedure manuals, policies, written instructions, etc.) to ensure continuity over PIMS data submission.
2. Cross-train individual(s) to familiarize them with PDE's child accounting reporting requirements and PIMS reporting procedures in the event of a sudden personnel change.
3. Establish a system of managerial review of data before submission to PDE.

4. Strengthen internal controls to ensure adherence to PDE regulations when reporting court-placed foster home students.
5. Perform a detailed review of PDE's Preliminary Summary of Child Accounting report to ensure accurate reporting of pupils.
6. Review membership reports submitted to PDE for school years subsequent to the audit, and if reporting errors are found, contact PIMS desk for guidance in changing coding and submit revised reports to PDE.

Current Status:

During our current audit, we interviewed District personnel responsible for maintaining student record data and PIMS submission. We found that the District implemented three of our six prior recommendations. The District established a system of managerial review by having the principals at each building review reports and note if any corrections need to be made prior to submitting reports to PIMS. The District strengthened internal controls in their student information system (SIS) by adding an area for foster students' home district to be noted in the student's enrollment information.

The District performs a detailed review of PDE's Preliminary Summary of Child Accounting Report by comparing it with the reports from their SIS along with reports and invoices received from the intermediate unit, other districts, and private schools where their resident students may have attended within the school year. We found that the District has not implemented three of our six prior recommendations. The District is working on written instructions to ensure continuity over PIMS data submission but does not have anything on paper at the moment. The District does not have anyone cross trained at this point in the event of a sudden change of personnel. Also, the District has not reviewed membership reports submitted to PDE subsequent to the prior audit to determine if any errors were made.

Appendix: Audit Scope, Objectives, and Methodology

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, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,¹ is not a substitute for the local annual financial audit required by the PSC of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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.

Scope

Overall, our audit covered the period August 16, 2013 through August 21, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

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 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.

The District's management is responsible for establishing and maintaining effective internal controls² 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, 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 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.

¹ 72 P.S. § 403.

² 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; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's performance in the following areas:

- School Safety
- Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ü Did the District take appropriate actions to ensure it provided a safe school environment?
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports.
- ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws?³ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we selected all 15 bus drivers hired by the District during the school year July 1, 2014 to June 30, 2015, and reviewed documentation to ensure the District complied with bus driver's requirements. We also determined whether the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements.
- ü Did the District take appropriate corrective action to address findings and implement recommendations made in our prior audit?
 - To address this objective, we interviewed District administrators to determine what corrective action, if any, was taken to address prior audit recommendations. Where appropriate, we obtained documentary evidence and/or performed audit procedures to verify that corrective action was actually taken and those actions were sufficient to address the prior finding.

³ 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8.*

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

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Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
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Pennsylvania State Education Association
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Harrisburg, PA 17105

Mr. Lin Carpenter

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

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

ⁱⁱⁱ Source: United States Census <http://www.census.gov/2010census>

^{iv} PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the “All Students” group for the 2011-12 and 2012-13 school years.

^v PSSA scores, which are Pennsylvania’s mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a significant weakness in internal controls over PDE’s compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

^{vi} In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

^{vii} SPP stands for School Performance Profile, which is Pennsylvania’s new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

^{viii} *Ibid.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered “No Designation” schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

^{ix} Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE’s CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a significant deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.