

CHICHESTER SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Howard Adams, Board President
Chichester School District
P.O. Box 2100
Boothwyn, Pennsylvania 19061

Dear Governor Rendell and Mr. Adams:

We conducted a performance audit of the Chichester School District (CSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 6, 2008 through September 21, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 CSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding 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 finding, observation and recommendations have been discussed with CSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve CSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the CSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 15, 2010

cc: **CHICHESTER SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

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

Our audit scope covered the period May 6, 2008 through September 21, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

The CSD encompasses approximately 11 square miles. According to 2000 federal census data, it serves a resident population of 24,648. According to District officials, in school year 2007-08 the CSD provided basic educational services to 3,571 pupils through the employment of 302 teachers, 239 full-time and part-time support personnel, and 27 administrators. Lastly, the CSD received more than \$16.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: School Bus Drivers' Lacked Proper Documentation. Our current audit of bus drivers' personnel files found 13 bus drivers were transporting students without having the minimum required qualifications on file (see page 6).

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications. Our current audit found that the CSD had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 9).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the CSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the CSD did not take appropriate corrective action in implementing our recommendations pertaining to the board members failing to file their Statements of Financial Interests (see page 11) or the internal control weaknesses regarding bus drivers' qualifications (see page 12).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

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

Our audit covered the period May 6, 2008 through September 21, 2010, except for the verification of professional employee certification which was performed for the period March 5, 2008 through August 10, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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

Objectives

What is the difference between a finding and an observation?

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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the CSD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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.

CSD 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 and pupil transportation.

Our audit examined the following:

- Records pertaining bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 27, 2009, we reviewed the CSD's response to DE dated May 18, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

School Bus Drivers Lacked Proper Documentation

Criteria relevant to the finding:

Public School Code (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. This section of the PSC goes on to say:

Administrators shall require the applicant to submit with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Department of Education.

Similarly, Section 6355 of the Child Protective Services Law (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 audit of the Chichester School District's (CSD) bus drivers' files found:

- Three bus drivers did not possess a valid commercial driver's license;
- Seven bus drivers did not have a criminal history record;
- Six bus drivers did not have a child abuse clearance statement; and
- Two bus drivers did not have a federal criminal history record.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following five requirements:

1. Possession of a valid driver's license;
2. Completion of school bus driver skills and safety training;
3. Passing a physical examination;
4. Lack of convictions for certain criminal offenses; and
5. Official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained further in the box to the left, the fourth and fifth requirements were set by the PSC and the CPSL, respectively.

We reviewed the personnel records of a random sample of 5 of 36 drivers; because of the lack of documentation found

in that sample, we expanded our scope to all 36 drivers. We informed CSD management of the missing documentation and instructed them to immediately obtain the necessary documents to ensure the drivers' are properly qualified to continue to have direct contact with children. As of the end of our fieldwork on September 21, 2010, the CSD could provide us with the proper documentation for only 23 of the 36 drivers. The District's failure to ensure that all bus drivers were properly licensed, and to obtain the child abuse clearances and criminal history record checks, not only violates the provisions of the law detailed previously in this finding, but may also have placed District students at unnecessary risk.

Recommendations

The *Chichester School District* should:

1. Immediately obtain the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Establish procedures to obtain and retain the required qualifications for all drivers which transport students. This procedure should also ensure that the District's files are up-to-date and complete.

Management Response

Management stated the following:

District Administration acknowledges that internal controls in the hiring process need to be strengthened in regards to adhering to Board policy and State mandates for applicant bus driver's certification deficiencies.

The [following] outlines a revised corrective action hiring procedure effective immediately.

1. Applicant packets are received at the Education Center or via Internet.
2. HR [Human Resources] forwards applicant information to Transportation Department.

3. Transportation Department interviews applicant.
4. Once recommended, applicant returns to the Education Center to receive new hire paperwork.
5. Applicant completes all required paperwork and returns information to the Education Center.
6. Paperwork is held in an applicant file until all information is submitted and required certifications are reviewed.
7. After all information is reviewed and approved, the applicant is added to the Board agenda for hire.
8. A spreadsheet is to be completed in the Human Resources office to include but not limited to names, dates, and items received. In addition, driver's licenses will be verified on an on-going basis to avoid any/all lapse in expiration.

Observation

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.

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Our current audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 12). We made our recommendations in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the PSC and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe 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 implementing written policies and procedures to ensure that the district is immediately informed of any charges and convictions that may have occurred after the commencement of the employment.

The District had not adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are 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 *Chichester School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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 that the District is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any convictions of a current employee should lead to an employment action.

Management Response

Management stated the following:

District Administration acknowledges that internal controls in the hiring process need to be strengthened in regards to adhering to Board policy and State mandates for applicant bus drivers' qualifications. Steps are in place to improve the process in the Human Resources Department to ensure compliance for bus drivers and all staff. These processes will be clearly communicated to all District Supervisors.

District Administration acknowledges that we need to strongly encourage disclosure of any/all infractions by bus drivers after hiring.

It is the District Administration's intention to explore the development of the following:

- A formal process requiring bus drivers to notify District Administration of any/all infractions charged against them within a specific timeframe. This process will include disciplinary action for any bus driver failing to make timely notification.
- A standard release form for bus drivers and the establishment of procedures for District Administration to obtain updated background checks and clearances for any period after the hire date.

Status of Prior Audit Findings and Observations

Our prior audit of the Chichester School District (CSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to board members failing to file their Statements of Financial Interests and the observation pertained to internal control weaknesses regarding bus drivers' qualifications. 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 CSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the CSD did not implement our recommendations related to the board members failing to file their Statements of Financial Interests or the internal control weaknesses regarding bus drivers' qualifications.

| <i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i> | | |
|---|--|--|
| <i>Prior Recommendations</i> | <i>Implementation Status</i> | |
| <p><u><i>I. Finding: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor with regard to the board's responsibility when a member fails to file a Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. | <p>Background:</p> <p>Our prior audit of the District's Statements of Financial Interests for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, found four board members in 2006, 2003 and 2002, and three board members in 2005 and 2004, failed to file their Statements of Financial Interest.</p> | <p>Current Status:</p> <p>Our current audit found that the solicitor was contacted and advised the District to continue to send board members reminder notices to file their Statements of Financial Interests.</p> <p>Our current audit found that four board members failed to file their statements for the 2009 calendar year. A verbal comment will be issued.</p> |

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| <p><u>II. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none">1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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 current employees of the District are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action. | <p>Background:</p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that they were 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>Current Status:</p> <p>Our current audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications.</p> <p>The failure of the District to implement our recommendations is addressed in the observation of our current report (see page 9).</p> |
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Distribution List

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

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

