

CUMBERLAND VALLEY SCHOOL DISTRICT
CUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Mr. John S. Jordan, Board President
Cumberland Valley School District
6747 Carlisle Pike
Mechanicsburg, Pennsylvania 17050

Dear Governor Corbett and Mr. Jordan:

We conducted a performance audit of the Cumberland Valley School District (CVSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 9, 2009 through May 5, 2011, 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 CVSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in five findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 3, 2012

cc: **CUMBERLAND VALLEY SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Pupil Membership Errors Resulted in a Net Underpayment of \$38,240	6
Finding No. 2 – Weak Internal Controls Resulted in Unbilled Tuition of \$29,362	9
Finding No. 3 – Inadequate Internal Controls Resulted in Unverifiable Transportation Reimburesments	12
Finding No. 4 – The District Incurred Direct Costs of \$56,889, and Replacement Costs of \$15,584, as a Result of Placing the Assistant Superintendent on Administrative Leave	15
Finding No. 5 – School Bus Driver Qualification Deficiency	20
Status of Prior Audit Findings and Observations	23
Distribution List	27



Executive Summary

Audit Work

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

Our audit scope covered the period April 9, 2009 through May 5, 2011, 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 CVSD encompasses approximately 104 square miles. According to 2000 federal census data, it serves a resident population of 46,926. According to District officials, in school year 2007-08 the CVSD provided basic educational services to 7,640 pupils through the employment of 610 teachers, 423 full-time and part-time support personnel, and 54 administrators. Lastly, the CVSD received more than \$20.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CVSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified five compliance-related matters reported as findings.

Finding No. 1: Pupil Membership Errors Resulted in a Net Underpayment of \$38,240. Our audit of pupil membership reports for the 2007-08 and 2006-07 school years found errors in resident and nonresident data reported to the Pennsylvania Department of Education (PDE) for the 2007-08 and 2006-07 school years (see page 6).

Finding No. 2: Weak Internal Controls Resulted in Unbilled Tuition of \$29,362. Our audit of tuition billing for the education of nonresident special education students for the 2007-08 and 2006-07 school years, found CVSD personnel failed to bill tuition for one student during the 2006-07 school year (see page 9).

Finding No. 3: Inadequate Internal Controls Resulted in Unverifiable Transportation Reimbursements. Our audit of pupil transportation for the 2007-08 and 2006-07 school years found inadequate internal controls leading to our inability to verify the accuracy of the transportation data submitted to PDE for the 2007-08 school year (see page 12).

Finding No. 4: The District Incurred Direct Costs of \$56,889, and Replacement Costs of \$15,584, as a Result of Placing the Assistant Superintendent on Administrative Leave.

Our audit found that the CVSD placed the former Assistant Superintendent on paid administrative leave from January 29, 2010 through June 30, 2010 (see page 15).

Finding No. 5: School Bus Driver

Qualification Deficiency. Our audit of personnel records for current bus drivers found one individual did not possess a valid Federal Criminal Background Check clearance (see page 20).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the CVSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the CVSD had taken appropriate corrective action in implementing our recommendations pertaining to the certification finding (see page 24). We found the CVSD had taken partial appropriate corrective action in implementing our recommendations pertaining to the transportation underpayment finding (see page 23) and the unbilled tuition finding (see page 25).

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 April 9, 2009 through May 5, 2011, except for the verification of professional employee certification which was performed for the period January 31, 2009 through February 4, 2011.

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 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 CVSD'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?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buy-out 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, 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, observations and conclusions based on our audit objectives.

CVSD 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. 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 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 CVSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 5, 2009, we reviewed the CVSD's response to PDE dated September 20, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1 →

Pupil Membership Errors Resulted in a Net Underpayment of \$38,240

Criteria relevant to the finding:

Child accounting guidelines and instructions require the accurate reporting of pupil membership days and student classifications, since these are major factors used by PDE to calculate various subsidies and reimbursements, including, but not limited to basic education subsidy, tuition for children placed in private homes, and special education subsidy.

Our audit of pupil membership reports for the 2007-08 and 2006-07 school years found errors in resident and nonresident data reported to the Pennsylvania Department of Education (PDE) for the 2007-08 and 2006-07 school years. These errors resulted in a net underpayment of \$38,240 as follows:

<u>Description</u>	<u>(Over)/Underpayments</u>		
	<u>2007-08</u>	<u>2006-07</u>	<u>Totals</u>
Basic Education	\$ (308)	\$ (44)	\$ (352)
Children Placed in Private Homes	<u>22,528</u>	<u>16,064</u>	<u>38,592</u>
Total	<u>\$22,220</u>	<u>\$16,020</u>	<u>\$38,240</u>

PDE has been provided reports detailing the errors for use in recalculating the District's subsidies and reimbursements.

The following errors resulted due to a lack of written procedures and employee turnover within the District:

2007-08

- Incorrectly reporting the number of days in session for 7 of the 9 terms reported to PDE.
- Incorrectly reporting all nonresident students as children placed in private homes.
- Incorrectly reporting students as residents when they should have been reported as nonresidents.
- Incorrectly reporting students as nonresidents when they should have been reported as residents.
- Not reporting all students who were educated in District buildings during the school year.

2006-07

- Incorrectly reporting students as residents when they should have been reported as nonresidents.
- Incorrectly reporting students as nonresidents when they should have been reported as residents.
- Not reporting all students who were educated in District buildings during the school year.

The errors resulted in the following (over)/underreporting of membership days to PDE:

	<u>2007-08</u>	<u>2006-07</u>
<u>Resident</u>		
Half-Time Kindergarten	(1,888)	-
Full-Time Kindergarten	(76)	-
Elementary	(4,136)	(182)
Secondary	(4,068)	(76)
<u>Nonresident</u>		
<u>Children Placed in Private Homes</u>		
Full-Time Kindergarten	175	-
Elementary	(16)	182
Secondary	591	234
<u>District Paid Tuition</u>		
Elementary	112	-
Secondary	546	-
<u>Tuition Waiver</u>		
Half-Time Kindergarten	182	-
Elementary	364	-
Secondary	212	-

These errors in resident and nonresident membership resulted in the subsidy and reimbursement net underpayment of \$38,240.

Recommendations

The *Cumberland Valley School District* should:

1. Develop and implement procedures and guidelines for the collection, verification and reporting of membership data to ensure that all days and student classifications are accurately reported to PDE.
2. Reconcile final PDE reports to the District's own student detail reports to ensure all students are properly reported on the reports and are also properly classified.
3. Maintain all student detail reports that are used in the reporting of membership data to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's allocations to resolve the net underpayment of \$38,240.

Management Response

Management stated the following:

Findings are noted and the following will be put in place.

1. Transportation and Child Accounting will meet monthly to review calendar days (especially kindergarten) and to make sure days are recorded properly.
2. Child Accounting Coordinator will work with CSIU to ensure that students who enter and withdraw are properly uploaded to PIMS.
3. Child Accounting Coordinator will establish written procedures for recording resident and non-resident students and more specifically foster students living with district resident foster parents.
4. Child Accounting Coordinator will meet with school secretaries to re-enforce procedures to ensure communication of changes of student status to include students moving, students going into foster care and students being adopted.
5. Registrar will communicate with agencies placing new foster students to ensure their parent's home district is listed in the placement letter.

Finding No. 2 →

Weak Internal Controls Resulted in Unbilled Tuition of \$29,362

Criteria relevant to the finding:

Section 2561 paragraph (7) of the Public School Code provides:

Special Education Tuition Charge. When the receiving district voluntarily receives exceptional children, the receiving district and sending district may agree that the sending district will pay a special education charge in addition to the applicable tuition charge. Such special education charge shall be an amount as determined by the two school districts.

Our audit of tuition billing for the education of nonresident special education students for the 2007-08 and 2006-07 school years found the Cumberland Valley School District (CVSD) personnel failed to bill tuition for one student during the 2006-07 school year.

The CVSD provided special education to one East Pennsboro Area School District (EPASD) student during the 2006-07 school year. Due to the District's failure to reconcile membership data to tuition billing and collection records, tuition of \$29,362 for 182 days for the 2006-07 school year went unbilled. As a result of our audit, the CVSD invoiced EPASD on February 3, 2011 and received payment of \$29,362 on February 16, 2011.

Recommendations

The *Cumberland Valley School District* should:

1. Strengthen internal controls to ensure the reconciliation of nonresident, district-paid tuition student membership reported by the child accounting coordinator to the business office's billing and collection records.
2. Review membership data and tuition bills for subsequent years to ensure proper tuition billing and collection.

Management Response

Management stated the following:

Corrective Action taken per District:

The District holds a Memorandum of Understanding with the identified districts within our consortium outlining the process/procedure of districts providing special education services to non-district students.

Billing for non-district students: a detailed bill outlining the specific services provided to the given student. A new procedure is to attach a copy of the student's attendance record to each tuition billing invoice.

Upon confirmation of an individual student referral for special education services from the CVSD, the CVSD-Special Education Department will send a written contract for signature from each sending district. Upon receipt, a copy will be forwarded to the Business Office for the purpose of billing for services rendered and to the child accounting coordinator for accurate documentation in the child accounting system.

On or before the 1st day of school the child accounting department will send a detailed list of non-resident students to the business office and the Special Education office for verification. Updated lists will be provided as revisions are made throughout the school year.

Consortium Students—Their attendance is recorded in CSIU [Central Susquehanna Intermediate Unit] by the district building they attend. The CVSD child accounting coordinator sends the CSIU attendance reports to the students home school district every other month or more often if requested. The CVSD is responsible for reporting their total attendance to PDE via Pennsylvania Information Management System (PIMS) so they are classified as members of CSIU. This data is uploaded in the Child Accounting templates at the end of the school year.

IU Students who are mainstreamed into CV [Cumberland Valley] classrooms—The CAIU teacher (i.e. CAIU classrooms in district buildings—Monroe, Middlesex, and CV High School) keep attendance on the students enrolled in the CAIU program/classroom including the percent of time they are instructed in the CV classroom. The CAIU [Capital Area Intermediate Unit] reports their CAIU time only to PDE via PIMS. At the end of the school year, CAIU-child accounting coordinator, sends CVSD (copies to Director of Special Education and Child Accounting Coordinator) a report reflecting the total number of hours and/or days for each student (enrolled in a “district housed” CAIU classroom) included in CV classrooms (if any) for instructional purposes. In turn, the CVSD – Child Accounting Coordinator reports that data to PDE through PIMS (reporting for this type of data was started in 2009-10). The Special Education Director provides the list to the Business Office for billing purposes. Special

Education Office will e-mail the business office mid June to ensure billing was completed.

Director of Special Education and the Assistant to Business Manager reviewed prior years billing 2006-07 to present. A billing error was found. The District submitted missed tuition billing to neighboring district to correct the error. New steps (outlined above) should eliminate future billing errors.

Auditor Conclusion

The District's corrective action noted various procedures taken subsequent to the 2009-10 school year; therefore, we will have to verify the effectiveness of those procedures during the next audit.

Finding No. 3 →

Inadequate Internal Controls Resulted in Unverifiable Transportation Reimbursements

Criteria relevant to the finding:

PDE's End of Year Instructions for the reporting of mileage, days, and pupils state:

- District must report the number of miles per day, to the nearest tenth, that the vehicle traveled with and without pupils. If this figure changed during the year, the district is to calculate a weighted average or sample average.
- Districts are to report the number of days the vehicle provided to and from school transportation . . . Only days on which transportation is actually provided may be reported.
- District must report the greatest number of pupils assigned to ride the vehicle at any one time during the day. Districts are to report the number of pupils assigned to the nearest tenth. The number cannot exceed the seating capacity. If the number of pupils assigned change during the year, districts are to calculate a weighted average or a sample average.
- For the weighted average method for miles – Local Education Agency (LEA) must maintain records of Miles With Pupils and Miles Without Pupils data for each vehicle. Examples show how to calculate weighted averages for mileage changes. Weighted averages should be rounded to the nearest tenth. In all cases, the weighted average will be more than the lowest day's mileage and less than the highest day's mileage.

Our audit of pupil transportation records for the 2007-08 and 2006-07 school years found inadequate internal controls leading to our inability to verify the accuracy of data submitted to Pennsylvania Department of Education (PDE) for the 2007-08 school year. Our inability to verify the accuracy of the transportation data resulted in unverifiable transportation reimbursement of \$2,409,159 for the 2007-08 school year.

We found errors and inadequate internal controls in reporting of buses, contractor costs, number of days buses were used to transport students to and from school, and pupil and mileage averages.

Reporting of Buses

The District did not report five buses used for the transportation of students to and from school for the 2007-08 school year. Failure to perform a reconciliation procedure between final PDE reports and district prepared worksheets allowed this error to go undetected. All data elements could not be verified in order to make audit adjustments to the data the District reported to PDE.

Contractor Costs

The District did not pay one of their contractors \$114,850 for transportation services provided during the 2007-08 school year which was based on the District's own calculations. The error resulted from clerical oversight.

Days Transported

The number of days pupil transportation was provided for each vehicle could not be verified by the District due to a lack of procedures to track each bus used for daily transportation. The District does not require contractors to submit detailed monthly invoices, which could include how many days each vehicle was used for transporting pupils. Since individual vehicle data was not obtained by the District from the contractors nor did the District maintain

Criteria relevant to the finding:

PDE's End of Year Instructions for the reporting of mileage, days, and pupils state:

Once during each month, from October through May, for to-and-from school transportation, measure and record:

- The number of miles the vehicle traveled with students.
- The number of miles the vehicle traveled without students.
- The greatest number of students *assigned* to ride the vehicle at any one time during the day.

At the end of the school year, calculate the average of the eight measurements for each of the three variables calculated to the nearest tenth. These averages are called sample averages.

individual vehicle information for how many days they were used, we could not determine the actual number of days each vehicle was in operation.

Pupil and Mileage Averages

The pupil averages for each individual bus were not properly computed based on PDE's guidelines. The District was only using three readings to compute the average as opposed to eight readings per PDE's end-of-year instructions.

The District was not able to provide backup documentation to support eight vehicle's mileage readings. Since all vehicle data could not be verified, no adjustments to pupils or mileage could be made.

The District did not maintain reconciliation procedures between PDE's final reports and District documentation to ensure transportation data was accurately reported and processed. The District also experienced staff turnover during the 2007-08 school year and had a lack of written procedures or guidelines for the maintaining and reporting of transportation data elements.

District personnel did not obtain and retain adequate documentation to support revisions that needed to be made to reported transportation data to PDE. Therefore, no audit adjustments could be made to the District's transportation subsidy.

Recommendations

The *Cumberland Valley School District* should:

1. Develop and implement written procedures and guidelines for the collection, verification and reporting of transportation data to ensure that all data elements (number of vehicles, contractor costs, days transported, pupils and miles) are accurately reported to PDE.
2. Reconcile payments made to each contractor to District generated worksheets to ensure payments and data reported to PDE are accurate.
3. Require each contractor to submit monthly invoices which the District can verify the number of days each vehicle provided transportation.

4. Compute mileage and pupil readings based on PDE guidelines for reporting.
5. Maintain supporting documentation for all data reported to PDE.
6. Review transportation reports submitted to PDE for years subsequent to the audit and if verifiable errors are found, submit revisions to PDE.

Management Response

Management stated the following:

Reporting of Buses and Contractor Costs

For fiscal years after 2008 the business office and the transportation manager will reconcile the final formula allowance and the amount paid to the contractor on the PDE-2518 to the general ledger and internal formula calculations prepared by the District. Each bus run reported will be verified to detail and compared to the calculations previously submitted to PDE as recorded on the PDE-2518 and to amounts paid to contractors. Adjustments to PDE reports will be made with PDE as allowed by PDE.

Days transported

Starting with the 2011-12 school year the District will work toward requiring the contractors to provide detailed invoices for payment. Individual vehicle data will be required from each contractor. The business office will verify that the correct information is provided.

Pupil Averages and Mileage

Eight readings will be used to calculate sample averages for each run. Supporting documentation will be verified and maintained for each vehicle reported to PDE.

Finding No. 4

The District Incurred Direct Costs of \$56,889, and Replacement Costs of \$15,584, as a Result of Placing the Assistant Superintendent on Administrative Leave

Criteria relevant to the finding:

Section 1073 of the Public School Code, 24 P.S. § 10-1073(a), requires school districts to enter into three-to five-year employment contracts with their superintendents.

On July 1, 2007, the Cumberland Valley School District (District) entered into an employment agreement (Agreement) with an individual (Assistant Superintendent) to serve as the District's Assistant Superintendent. The Agreement had a term of three years, from July 1, 2007 to June 30, 2010. The Assistant Superintendent's previous contract with the District had also been for three years (August 2, 2004 through August 15, 2007). The Agreement provided annual compensation of \$114,674 to the Assistant Superintendent for the first year of employment, as well as a variety of benefits. The Agreement further provided the Assistant Superintendent's salary in future contract years would not be decreased during the term of the agreement without the prior written consent of the Assistant Superintendent. If the District's board of school directors (Board) elected to adjust the annual salary, it would be done as an addendum to the Agreement and not be considered a new agreement or extend the term of the Agreement.

The Agreement included the following provisions with regard to the early termination of the Assistant Superintendent's employment with the District:

- Assistant Superintendent shall be subject to removal from office in accordance with applicable law. Assistant Superintendent shall have the right to receive written notice of charges, notice of hearing and a fair hearing before the Board of School Directors. Assistant Superintendent shall have the right to be represented by legal counsel at her sole cost and expense.
- Assistant Superintendent's employment may be terminated by School District upon sixty (60) calendar day's written notice for cause specified in the Public School Code of 1949, as amended. In the event the Board of School Directors shall elect to institute termination proceedings, Assistant Superintendent is entitled to any and all rights available under the Local Agency Law, Public School Code of 1949, as amended,

and the right to appeal the termination to a court of competent jurisdiction.

- If School District shall elect not to renew or extend this Agreement, then School District shall . . . provide Assistant Superintendent with written notice no later than one hundred fifty (150) calendar days prior to the expiration of the term.
- Should Assistant Superintendent be unable to perform any or all of her duties by reason of illness, accident or other cause beyond her control and said disability exists for a period of more than ninety (90) consecutive calendar days or more than ninety (90) school days during any twelve (12) consecutive month period beyond Assistant Superintendent's accumulated sick leave, School District may, in School District's sole and absolute discretion make a proportionate deduction in Assistant Superintendent's salary and if said disability is permanent or such in nature as to make the performance of Assistant Superintendent's duties impossible or impractical, School District may terminate the agreement, whereupon the respective rights, duties and obligations hereunder shall terminate.
- If the Board of School Directors shall make a preliminary determination to extend the term of this Agreement or enter into a new agreement with Assistant Superintendent, then, in that event, School District shall advise Assistant Superintendent, in writing, at least two hundred ten (210) calendar days prior to the expiration of the Term. If Assistant Superintendent desires to extend employment with School District, then Assistant Superintendent shall notify School District, in writing, and Assistant Superintendent and School District shall enter into good faith negotiations with respect to the terms and conditions of an extension of this Agreement or a new agreement which said negotiations shall be completed within forty-five (45) calendar days after Assistant Superintendent received notice of District's desire to extend Assistant Superintendent's employment.

On December 1, 2009, the Assistant Superintendent requested a new three-year contract to commence on July 1, 2010. In a letter dated January 12, 2010, the Board

denied the request and suggested that she resign effective June 30, 2010. On January 19, 2010, the Assistant Superintendent submitted her resignation letter, stating that she would retire effective June 30, 2010.

In a letter dated January 29, 2010, the Superintendent informed the Assistant Superintendent that she was relieved of her duties, effective immediately, and would be placed on paid administrative leave through June 30, 2010, the remainder of her employment contract.

The January 29, 2010 letter stated that the Assistant Superintendent would continue to receive compensation and benefits under the Agreement, calculated to be \$55,445:

- Salary for the period January 29, 2010 through June 30, 2010 (\$50,531);
- Medical and vision benefits for the period from January 29, 2010 to June 30, 2010 (\$4,914).

Additionally, the letter stated that at the end of her contract term, June 30, 2010, the Assistant Superintendent was entitled to compensation for unused earned vacation days and personal days calculated to be:

- 17 unused vacation days (\$8,181);
- 3 unused personal days (\$1,444).

If the Assistant Superintendent had retired on June 30, 2010, rather than being put on administrative leave in January, the District would still have had to pay her for unused vacation days. However, the payment for the three unused personal days was not required by the Agreement. Therefore, the Assistant Superintendent's administrative leave cost the District a total of \$56,889, including \$50,531 in salary, \$4,914 for medical and vision benefits, and \$1,444 for three unused personal days.

In addition to the payments and benefits the District provided to the departing Assistant Superintendent, the District paid an individual \$7,900 as a Substitute Assistant Superintendent for 20 days. Effective March 2, 2010, the District promoted another individual from Director of

Secondary Education to Acting Assistant Superintendent. As a result, the District paid the Acting Assistant Superintendent an additional \$4,200 on top of the salary she was already making in her previous position. This arrangement lasted through June 30, 2010.

Effective March 8, 2010, the District also promoted a Principal to Director of Secondary Education. Consequently, the District again paid this individual an additional cost \$3,484 on top of her previous salary through June 30, 2010. Therefore, the District also incurred these replacement costs, totaling \$15,584, as a result of the departing Assistant Superintendent being placed on administrative leave.

The Department of the Auditor General requested an explanation of the reasons for the administrative leave of the Assistant Superintendent. The District stated that the Board approved the new positions and additional costs during executive session. The District would not provide any additional information regarding the cause of the Assistant Superintendent's separation from the District.

Recommendations

The *Cumberland Valley School District* should:

1. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.
2. Provide as much information as possible to the taxpayers of the District explaining the reasons for the administrative leave of the Assistant Superintendent and justifying the District's expenditure of public funds for placing her on administrative leave.
3. Work with successors to the Assistant Superintendent to include in their current and future employment contracts provisions that address the compensation and benefits payable to, or on behalf of, said administrators in the event of a premature termination of their contracts.

Management Response

Management waived the opportunity to reply at the time of audit.

Finding No. 5 →

School Bus Driver Qualification Deficiency

Criteria relevant to the finding:

Section 111 of the Public School Code, 24 P.S. § 1-111 (Act 34 of 1985, as amended) 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.

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.

Additionally, as of April 1, 2007, under Act 114 of 2006 as amended, (see 24 P.S. §1-111(c.1), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have contact with children, and make a determination regarding the fitness of the individual to have contact with children. The Act requires the report to be reviewed in a manner prescribed by PDE. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

Our audit of personnel records for current bus drivers found one individual did not possess the Federal Criminal History record (Act 114) as required by Public School Code Section 111.

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 six 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;
5. Federal Criminal History record; and
6. Official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained in the box to the left, the fourth and fifth requirements were set by the Public School Code of 1949, as amended. The sixth requirement was set by the Child Protective Services Law.

We reviewed the personnel records of a random sample of 5 of the 153 drivers currently employed by the Cumberland Valley School District's transportation contractors. Our review found one driver did not possess the Act 114 clearance, at the time of audit. Testing was expanded to include an additional 31 drivers. As a result, no additional individuals were found to have school bus driver qualification deficiencies.

Criteria relevant to the finding:

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa C.S. §6355, known as Act 151, requires prospective school employees to submit an official clearance statement obtained from the Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in a founded report for school employee.

On March 1, 2011, we informed District management of the missing documentation and instructed them to obtain the necessary documents. On March 11, 2011, District personnel provided us with the necessary documentation and we verified that the drivers tested had proper qualifications to continue to have direct contact with children.

It was also found during the audit that while District personnel does review driver qualifications, they do not make the final determination as to whether a driver is suitable to drive, rather they rely on the contractor to make the final decision.

The District was unaware of the missing documentation prior to the audit being performed.

Recommendations

The *Cumberland Valley School District* should:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
2. 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.
3. Establish procedures to put in place to ensure that the District is making the final determination to approve which drivers are considered suitable to transport their students.

Management Response

Management stated the following:

[Individual] was a driver employed by [Contractor]. [Individual] was allowed to drive without completing all required paperwork (FBI Clearance). When discovered the contractor was contacted and the FBI Clearance was obtained.

This has been corrected and will not occur in the future. This is a requirement of the contract and the contractor is aware that similar offense in the future may result in the severance of this contract.

Driver Procedures that have been implemented to resolve this problem:

Purpose: To confirm all van and school bus drivers have all required paperwork before the start of the school year and before they are employed. This paperwork must be completed and on file before a driver is permitted to transport students for the Cumberland Valley School District.

Required Paperwork

Child Abuse History Clearance (Child Abuse)
Criminal History Clearance (PSP)
FBI Check Act 114
All up to date Required Driver Licenses
Current Physical Form
Signed Statement regarding arrests

All the required forms must be on file in the Transportation Office.

Review of Required Paperwork

A review of all current driver paperwork will be conducted by June 30. At that time, the contractor and district representative will conduct an audit insuring that all paperwork for those drivers currently employed for the upcoming year is on file and complete. All records for any new drivers hired during the summer and prior to the start of school **must be brought to the Transportation Office before the start of school**. A current list of all drivers must be provided to the Transportation office no later than the week before the start of school for verification.

Drivers will not be allowed to drive school buses or vans and transport students until all required paperwork is on file.

During the school year, contractors must get all updated license and physical forms to the Transportation Office each month.

At the end of the first semester, the contractor and district will review the driver records to insure all driver paperwork is up to date.

Status of Prior Audit Findings and Observations

Our prior audit of the Cumberland Valley School District (CVSD) for the school years 2005-06 and 2004-05 resulted in three reported findings. The first finding pertained to transportation errors resulting in a \$352,994 underpayment, the second finding pertained to certification deficiencies and the third finding pertained to weak internal controls resulting in unbilled tuition of \$6,461. 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 CVSD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the CVSD did implement recommendations related to certification and partially implemented recommendations related to transportation and tuition revenue.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding No. 1: Transportation Reporting Errors Resulted in an Underpayment of \$352,994

Finding Summary: Our prior audit of the transportation operation found errors in the amount the District paid one of its contractors and, as a result, inaccurate reporting of actual contractor costs to PDE for the 2005-06 school year. The effect of the errors resulted in a \$352,994 underpayment of transportation subsidy from PDE.

Recommendations: Our audit finding recommended that the CVSD should:

1. Establish review procedures to ensure District contractor cost worksheets are accurate by including all vehicle data for all vehicles which provided transportation services.
2. Reconcile contractor cost worksheets to District expenditure accounts to ensure all eligible costs for transportation to and from school are reported to PDE.
3. Reconcile contractor costs reported on the PDE-1049 to PDE generated summary of pupil transportation subsidy (PDE-2518) for consistency and accuracy.
4. Review contractor costs for years subsequent to the audit years and, if errors are found, resolve the over/underpayments.
5. Review transportation reports submitted to PDE for years subsequent to the audit and submit revised reports to PDE, if necessary.

6. PDE should resolve the transportation subsidy underpayment of \$352,994.

Current Status: Our current audit found that the CVSD did not implement all of our prior audit recommendations. The District did reconcile contractor cost worksheets to District expenditure accounts, reconciled costs on the PDE-1049 to PDE generated reports, reviewed contractor costs for years subsequent to audit years and made adjustments to contractors and submitted revised reports to PDE. The District did not establish procedures for review to ensure all vehicles are reported as detailed in Finding No. 3 (see page 12) of this report. Although the District reviewed contractor costs for the 2007-08 school year, there was a \$114,850 underpayment to one of the District's contractors that went undetected as a result of clerical oversight. This issue was also addressed in Finding No. 3 of this report. PDE did not resolve the transportation subsidy underpayment therefore we again recommended that they resolve this underpayment of \$352,994.

Finding No. 2: Certification Deficiencies

Finding Summary: Our prior audit of professional employee certification for the period June 22, 2005 through January 30, 2009 found three individuals were not properly certified for the locally titled positions they held resulting in subsidy forfeitures of \$26,193. The Bureau of School Leadership and Teacher Quality (BSLTQ) of PDE confirmed the three deficiencies. The total subsidy forfeiture of \$26,193 was revised to \$39,235 due to the availability of data necessary to compute the 2008-09 school year subsidy forfeiture that was not available during the last audit.

Recommendations: Our audit finding recommended that the CVSD should:

1. Require the individuals cited to immediately obtain proper certification for the positions assigned or reassign them to positions for which they are properly certified.
2. Submit all locally titled positions to BSLTQ for review to determine the required certification.
3. PDE should recover the subsidy forfeitures which resulted from BSLTQ's final determination.

Current Status: Our current audit found that the CVSD implemented our recommendations beginning with the 2009-10 school year. PDE withheld

\$39,235 from the District's basic education reimbursement on June 1, 2010.

Finding No. 3: Weak Internal Controls Resulted in Unbilled Tuition of \$6,461

Finding Summary: Our prior audit found that District personnel failed to bill tuition for one nonresident special education student during the 2004-05 school year resulting in unbilled tuition of \$6,461. The District only had a verbal agreement, not a written contract with the East Pennsboro Area School District to provide special education to the student

Recommendations: Our audit finding recommended that the CVSD should:

1. Require the business office to obtain a written contract from all districts for which CVSD provides special education services.
2. Strengthen internal controls to ensure the reconciliation of nonresident, district-paid tuition student membership reported by the child accounting coordinator to the business office's billing and collection records.
3. Review membership data and tuition bills for subsequent years to ensure proper tuition billing and collection.

Current Status: Our current audit found that the CVSD did require the business office to obtain written contracts as well as implement reconciliation procedures for district-paid tuition students beginning with the 2007-08 school year. The District did not review tuition bills for years subsequent to our prior audit. As a result, there was a failure to bill for one student in the 2006-07 school year that went undetected as reported in Finding No. 2 (see page 9).



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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