

JOHNSONBURG AREA SCHOOL DISTRICT

ELK COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004

WITH FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

THROUGH JANUARY 17, 2007

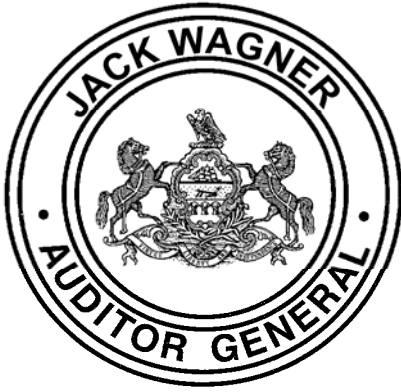


JOHNSONBURG AREA SCHOOL DISTRICT
ELK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004
WITH FINDINGS, OBSERVATIONS AND RECOMMENDATIONS
THROUGH JANUARY 17, 2007

JOHNSONBURG AREA SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Johnsonburg Area School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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.

The objective of our audit was to determine if the Johnsonburg Area School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

To plan and perform our audit of the Johnsonburg Area School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Johnsonburg School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following findings. We also identified internal control weaknesses as discussed in the observations. The findings and observations are discussed further in the Conclusion section of this report:

Objective No. 1

- Finding No. 1 – Errors in Reporting Pupil Transportation Data Resulted in a Net Underpayment of \$13,613
- Finding No. 2 – Board Members Failed to File Statement of Financial Interests in Violation of the Ethics Act
- Finding No. 3 – School Bus Drivers Qualifications Irregularities
- Observation No. 1 – Amount Paid Pupil Transportation Contractors Greatly Exceeded Department of Education Final Formula Allowance
- Observation No. 2 – Internal Control Weaknesses in Administrative Policies

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified and help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

January 17, 2007

/s/
JACK WAGNER
Auditor General

JOHNSONBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Johnsonburg Area School District is located in Elk County and encompasses an area of 227.6 square miles. The school district has a population of 7,526, according to the 2000 federal census. The administrative offices are located at 315 High School Road, Johnsonburg, Pennsylvania.

According to school district administrative officials, during the 2003-04 school year, the district provided basic educational services to 806 pupils through the employment of 4 administrators, 59 teachers, and 36 full-time and part-time support personnel. Special education was provided by the district and the Seneca Highlands Intermediate Unit #9. Occupational training and adult education in various vocational and technical fields were provided by the district.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 17 through 19 of this report for a listing of the state revenue the district received during the 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

JOHNSONBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE AND SCOPE

Our audit objective was to determine if the Johnsonburg Area School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The scope of our audit covered the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

JOHNSONBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSION

The objective of our audit was to determine if the Johnsonburg Area School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Johnsonburg Area School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the findings listed below. Additionally, we identified internal control weaknesses as noted in the observations included in this report. The findings, observations and recommendations were reviewed with representatives of the Johnsonburg Area School District, and their comments have been included in this report.

Finding No. 1 – Errors in Reporting Pupil Transportation Data Resulted in a Net Underpayment of \$13,613

Our audit of the district's pupil transportation data and reimbursement applications for the school years of audit found inaccuracies in the 2003-04 and 2002-03 school years' data submitted to the Department of Education (DE), resulting in a net underpayment of \$13,613.

Inaccuracies noted in review of pupil transportation data for the school years of audit were as follows:

2003-04 School Year

- the miles buses traveled without pupils were reported incorrectly for two vehicles, resulting in a net 1.7 daily miles understatement;
- the amount paid to two of the pupil transportation contractors was overreported by \$15,243;
- the number of trips was incorrectly reported for two vehicles; and
- the greatest number of pupils transported for one vehicle was incorrectly reported, resulting in an understatement of .2 pupils.

The errors noted above for the 2003-04 school year operations resulted in a \$105 overpayment in the public transportation reimbursement.

JOHNSONBURG AREA SCHOOL DISTRICT
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Finding No. 1 (Continued)

2002-03 School Year

- . the miles buses traveled with pupils were reported incorrectly for one vehicle, resulting in a 54.6 daily mile understatement;
- . the miles buses traveled without pupils were reported incorrectly for one vehicle, resulting in a 31.8 daily mile understatement;
- . the amount paid to two of the pupil transportation contractors was overstated by \$22,435;
- . the greatest number of pupils transported for ten vehicles was incorrectly reported, resulting in a net understatement of 6.5 pupils;
- . the number of days of service was incorrectly reported for one vehicle; and
- . district personnel failed to report reimbursement data for one vehicle.

The errors noted above for the 2002-03 school year operations, resulted in a \$13,718 underpayment in the public transportation reimbursement.

Our review of both school years found that the board failed to prepare and obtain a written contract with one of their contractors.

Good business practice would mandate the board to prepare and obtain approved contracts for all contractors. The contracts should detail the terms, conditions, compensation, and responsibility of both parties, and provide a legally binding agreement.

Our review of the current contracts and the insurance policies for three of the four contractors found one contractor was not providing adequate insurance liability limits coverage as required in the contract/agreement specifications. Additionally, the current policy was not on file at the district prior to the start of the school year or prior to the audit. The approved agreement between the district and the contractor provided in Section 27, "a copy of the insurance shall be furnished to the Board in August of each year of the contract prior to the start of school." During the audit, district personnel contacted the contractor and the contractor updated the policy to provide the coverage required.

JOHNSONBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

The daily mileage with and without pupils, the amount paid contractors, the greatest number of pupils transported, the number of days of service, and the number of trips a vehicle makes per day are all integral parts of the pupil transportation reimbursement formula and must be maintained in accordance with DE guidelines and instructions to ensure correct reimbursement. Section 2541 of the Public School Code provides for payments for pupil transportation.

The errors were caused by clerical mistakes, a lack of internal review prior to the submission of reimbursement data to DE, and the district's failure to follow DE guidelines and instructions.

DE has been provided a report detailing the errors for use in recalculating the district's transportation reimbursements.

Recommendations

The board should require the district administration to:

- conduct an internal review to ensure that daily mileage, pupil counts, the amount paid contractors, the number of trips, and the number of days transported are accurately recorded and reported to DE;
- ensure all buses utilized are properly reported;
- ensure contractors are providing liability limit insurance coverage as required in the contracts each school year prior to transporting students;
- ensure contracts are prepared for all contractors; and
- review transportation reports submitted to DE for subsequent years to audit and, if similar errors occurred, revise reports accordingly.

DE should adjust the district's future allocations to resolve the net \$13,613 reimbursement underpayment.

Response of Management

At the time of the audit, management provided a written response, indicating agreement with the finding and further stated:

Cause of the Problem: Inaccuracies were reported for pupil transportation data for the school years 2002-03 and 2003-04.

JOHNSONBURG AREA SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Corrective Action: District administration will conduct an internal review to ensure that the accuracy of daily mileage, pupil counts amount paid contractors, number of trips, and the number of days transported are accurately recorded and reported to Pennsylvania Department of Education. District administration will ensure that contracts are prepared for all contractors, and review transportation reports submitted to Pennsylvania Department of Education for subsequent years are reviewed and if similar errors occurred revise reports accordingly. District administration will also ensure that contractors are providing limit liability coverage as required in the contracts, each school year prior to transporting students.

Finding No. 2 – Board Members Failed to File Statement of Financial Interests in Violation of the Ethics Act

Our review of district records for board members' Statement of Financial Interests forms for the years ended December 31, 2005, 2004, 2003 and 2002 found, six board members failed to file the Statements of Financial Interests forms timely. One of the six board members failed to file for two years. The other five each failed to file for one year each.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

JOHNSONBURG AREA SCHOOL DISTRICT
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Finding No. 2 (Continued)

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Additionally, Johnsonburg Area School Board Policy No. 004 – Local Board Procedures, Title: Membership, provides in Section 2, Qualifications:

Each member of the Board shall meet the following qualifications:

Part (e) : S/He shall file statement of financial interests with the State Ethics Commission before taking the oath of office or entering upon his/her duties.

District personnel stated the board members are provided the forms at the end of each calendar year and a letter, entitled “Ethics Law Deadline” is provided to each member explaining the forms are to be filed by May 1st including who, when and where to file.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The board should:

- seek the advice of its solicitor in regard to the board’s responsibility when an elected board member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statement of Financial Interests do so in compliance with the Ethics Act.

Response of Management

At the time of the audit, management provided a written response, indicating agreement with the finding and further stated:

Cause of the Problem: School board members and district personnel are provided the forms at the end of each calendar year and a letter titled “Ethics Law Deadline.” The letter explains that the forms are to be filed by May 1. This has not been done on a consistent or complete basis by board members.

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Finding No. 2 (Continued)

Corrective Action: All board members and district personnel and especially new persons in these positions will be explained and be reminded of their responsibility to return to the school board secretary their statement of financial interests by May 1.

Procedures such as verbal reminders and a written checklist will be developed to ensure that all board members and district personnel file their financial statements in accordance with the Ethics Law Deadline.

Finding No. 3 – School Bus Drivers Qualifications Irregularities

Our review of the district’s school bus drivers’ qualifications on file at the district for the 2006-07 school year found irregularities.

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 (PennDOT).¹ As explained further below, the fourth and fifth requirements were set by the Public School Code of 1949, as amended (Public School Code),² and the Child Protective Services Law (CPSL), respectively.³

¹ 67 Pa. Code § 71.1 *et seq.*

² 24 P.S. § 1-111.

³ 23 Pa.C.S. § 6355.

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Finding No. 3 (Continued)

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

Similarly, Section 6355 of the CPSL requires prospective school employees to submit 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.

We reviewed the personnel records of a random sample of 25 of the 35 drivers currently employed by the Johnsonburg Area School District's transportation contractors. Our review found the district did not have on file at the district, at the time of audit, valid driver's license for five drivers, certificates of completion of school bus driver safety training for one driver, Act 34 criminal background check forms for one driver and Act 151 child abuse clearance forms for three drivers.

These documents had expired or were not obtained prior to or during the school year by district personnel.

Our review of the agreement between the district and the district's largest contractor found the contract provides in Section 39, "the contractor shall provide for all drivers, current driver's license, Act 34 clearance, and proof of training to the district 30 days prior to the start of the current school year."

The effect of not having and reviewing bus driver qualification documentation on file at the district before the driver transports school students could not only adversely affect the health and welfare of the students, but could also put the district at risk of a potential lawsuit.

The failure to obtain the qualification documentation could have resulted in a driver transporting students when he or she was not properly licensed or may not have been suitable to have direct contact with children. All missing documents were obtained from the contractors after the start of the audit.

Recommendations

The school board and district administrators should:

- . ensure that the district's transportation coordinator reviews each driver's qualifications prior to that person transporting students; and

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Finding No. 3 (Continued)

- maintain files, separate from the transportation contractors, for all district drivers to ensure that the district's files are up-to-date and complete.

Response of Management

At the time of the audit, management provided a written response, indicating agreement with the finding and further stated:

Cause of the Problem: At the time of audit, the district did not have on file all of the bus driver's valid licenses, Act 34 criminal background checks, and Act 151 child abuse forms.

Corrective Action: The school district will ensure that the district's transportation coordinator reviews each driver's qualifications prior to that person transporting students. The school district will maintain files separate from the transportation contractors for all district drivers and work with the contractors to ensure that the district's files are up-to-date and complete.

Observation No. 1 – Amount Paid Pupil Transportation Contractors Greatly Exceeded Department of Education Final Formula Allowance

Our review of the district's pupil transportation costs for the school years ending June 30, 2001 through June 30, 2004, found that the district's pupil transportation operations contracted cost had increased substantially more than the rate of inflation over the four-year period. The amount paid the district transportation contractors increased greater than DE's inflation adjusted final formula allowance used to determine reimbursement of pupil transportation services.

DE's final formula allowance provides for a per vehicle allowance based on the year of manufacture of the vehicle chassis, the approved seating capacity, number of trips the vehicle operates, the number of days pupils were transported, the approved daily miles driven, any excess hours and the greatest number of pupils transported. The final formula allowance is adjusted annually by an inflationary cost index.

The district receives the lesser of the final formula allowance for the vehicles or the actual amount paid to the contractor multiplied by the district's aid ratio.

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Observation No. 1 (Continued)

The following chart details comparison of the contracted cost to the final formula allowance for the four year period:

<u>School Year</u>	<u>Contractor Cost</u>	<u>Final Formula Allowance</u>	<u>Monetary Difference</u>	<u>Percent Difference</u>
2000-01	\$346,608	\$280,447	\$ 66,161	23.59
2001-02	\$346,279	\$278,186	\$ 68,093	24.47
2002-03	\$359,581	\$256,493	\$103,088	40.19
2003-04	\$427,487	\$300,497	\$126,990	42.26

Our review of the services provided by the transportation contractors for the four-year period found that the number of vehicles used to transport pupils, the number of approved annual miles vehicles traveled, and the district's pupil count had varied over the same period, detailed as follows:

<u>School Year</u>	<u>Number of Vehicles</u>	<u>Number of Pupils</u>	<u>Total Approved Annual Miles</u>
2000-01	15	859	142,592
2001-02	14	798	144,934
2002-03	14	745	127,339
2003-04	17	767	154,293

The following chart details the percentage that each contractor was paid over the state final formula allowance for the 2003-04 school years' pupil transportation services:

<u>School Year</u>	<u>Contractor</u>	<u>Amount Paid Contractor</u>	<u>Final Formula Allowance</u>	<u>Difference Over Formula</u>	<u>Percentage Over Formula</u>
2003-04	A	\$283,265	\$238,634	\$44,631	18.70
	B	10,316	6,970	3,346	48.00
	C	6,469	6,203	266	04.28
	D	112,194	48,691	63,503	130.42

According to DE personnel, 507 school districts, intermediate units and area vocational-technical schools had pupil transportation service contracts for the 2003-04 school year. Approximately 28 percent of the local education agencies (LEA) paid their contractors the final formula or less. An additional 22 percent paid less than 10 percent over their final formula allowance. Johnsonburg Area School District for the 2003-04 school year paid its contractors 42.26 percent over the state formula. Of the 507 LEAs, approximately 76 percent of them pay their contractors closer to the state formula than Johnsonburg Area School District.

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Observation No. 1 (Continued)

District personnel stated the board did solicit bids for the pupil transportation services for the period 1997-98 through 2002-03. However, no bids were solicited for the contract services for the 2003-04 through 2010-11 school years.

Recommendations

Prior to negotiating a new contract, the board and district administrators should be cognizant of the state's final formula allowance cost formula and routinely seek competitive bids for the district's pupil transportation services to ensure the most efficient cost to the district and its taxpayers.

Moreover, the board should prepare pupil transportation contracts to ensure the local effort share is as minimal as permitted by establishing the base rate and increases in line with DE's final formula allowance for pupil transportation cost.

Response of Management

At the time of the audit, management provided a written response, indicating agreement with the observation and further stating:

Cause of the problem: The amount paid to the contractors was significantly higher than the Department of Education's final formula allowance for reimbursement of pupil transportation services.

Corrective Action: The school board should review the district's pupil transportation routes to ensure each bus is operating at its maximum capacity so that the district receives from Pennsylvania Department of Education the fullest reimbursement possible.

The school district should seek competitive bids for pupil transportation services to ensure the local cost to taxpayers is as minimal as possible.

The school district should be cognizant of the state's final formula allowance before awarding any competitive bids for student transportation.

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Observation No. 2 – Internal Control Weaknesses in Administrative Policies

As stated in Finding No. 3 of this report, Section 111 of the Public School Code, as amended, requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.⁴

Similarly, Section 6355 of the Child Protective Services Law (CPSL) 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.⁵

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

Our review found that there were no other serious crimes, as referred to in the previous paragraph that called into question the applicant's suitability to have direct contact with children. However, neither the district nor the transportation contractors have written policies or procedures in place 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.

⁴ 24 P.S. § 1-111.

⁵ 23 Pa.C.S. § 6355.

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Observation No. 2 (Continued)

Recommendations

The school board and district administrators should consider, in consultation with the district's solicitor:

- . developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district and/or the district's transportation contractors have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children; and
- . implementing written policies and procedures to ensure that the district is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Response of Management

At the time of the audit, management provided a written response, indicating agreement with the observation and further stated:

Cause of the problem: Neither the district nor the transportation contractors have written policies or procedures in place 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 suitability for employment which includes direct contact with children.

Corrective Action: The school district and the transportation providers with the consultation of the district solicitor will develop a written policy which helps to ascertain on a case-by-case basis whether current or prospective employees of the district and/or the district's transportation contractors have been charged with or convicted of crimes that even though not barred by state law affect their suitability to have direct contact with children.

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$5,222,520 and \$5,470,869, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

	<u>2004</u>	<u>2003</u>
STATE REVENUE		
Basic Education	\$4,201,465	\$4,061,528
School Performance Incentives	-	10,976
Homebound Instruction	3,203	2,459
Vocational Education	32,693	23,745
Alternative Education	-	4,394
Special Education	400,395	378,912
Transportation	229,673	254,329
Rental and Sinking Fund Payments	94,438	522,367
Health Services	15,856	16,099
Social Security and Medicare Taxes	179,085	168,631
Retirement	<u>65,712</u>	<u>27,429</u>
<u>TOTAL STATE REVENUE</u>	<u>\$5,222,520</u>	<u>\$5,470,869</u>

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

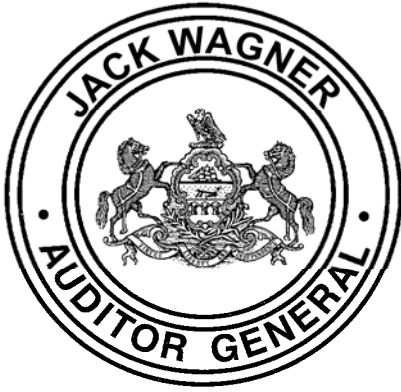
Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.



BUREAU OF SCHOOL AUDITS
AUDIT REPORT 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:

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

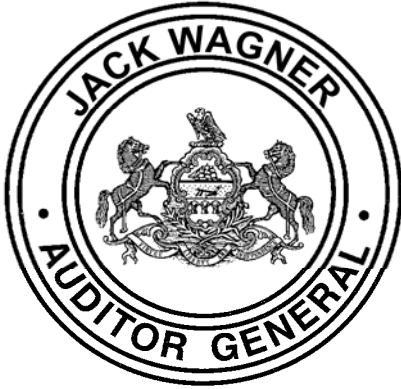
The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
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