

PERFORMANCE AUDIT

Wilson School District Berks County, Pennsylvania

August 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Jay Nigrini, Board President
Wilson School District
2601 Grandview Boulevard
West Lawn, Pennsylvania 19609

Dear Governor Corbett and Mr. Nigrini:

We conducted a performance audit of the Wilson School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period July 14, 2010 through February 28, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all significant respects, with relevant requirements.

We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

August 7, 2014

cc: **WILSON SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wilson School District (District) in Berks County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 14, 2010 through February 28, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 39 square miles. According to 2010 federal census data, it serves a resident population of 39,022. According to District officials, the District provided basic educational services to 5,854 pupils through the employment of 434 teachers, 673 full-time and part-time support personnel, and 44 administrators during the 2011-12 school year. The District received \$15.5 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the Wilson School District (District) from an audit released on August 29, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to possible certification deficiencies (see page 6) and continued unmonitored vendor system access and logical access control weaknesses (see page 7).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 July 14, 2010 through February 28, 2014, except for the verification of professional employee certification, which was performed for the period December 11, 2013 through February 15, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

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 District's compliance with certain relevant 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with

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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

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

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on August 29, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Wilson School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Wilson School District (District) released on August 29, 2011, resulted in one (1) finding and one (1) observation. The finding pertained to possible certification deficiencies, and the observation pertained to continued unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement our recommendations related to possible certification deficiencies and continued unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on August 29, 2011

Finding:

Possible Certification Deficiencies

Finding Summary:

Our prior audit of the District found that professional employees' certification and assignments for the period September 1, 2008 through May 31, 2010, found three (3) possible certification deficiencies as follows:

- A home and school visitor may have served without proper certification from November 2008 through present.
- A reading specialist may have served without proper certification from September 2009 through May 2010.
- A reserve officer training corps instructor may have served without proper certification from September 2009 through February 2010.

Information pertaining to the possible certification deficiencies was submitted to the Pennsylvania Department of Education's Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. If BSLTQ confirms the deficiencies, the District would be subject to subsidy forfeitures of \$2,899 for the 2008-09 school year and \$8,712 for the 2009-10 school year.

The possible certification deficiencies were caused by the administration's failure to accurately monitor assignments for its professional personnel.

Recommendations:

Our audit finding recommended that the District should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

We also recommended that PDE should:

3. In conjunction with BSLTQ's determination, adjust the District's allocations to recover any subsidy forfeitures deemed necessary.

Current Status:

During our current audit, we found that the District did implement our prior recommendations and resolved the three (3) individuals in question by which two (2) of the individuals received proper certification and the third individual resigned at the end of the school year. The District has implemented a system of control to ensure that all certificates are valid. On December 29, 2011, PDE deducted \$11,611 from the District's basic education funding payment to resolve the subsidy forfeitures.

Observation:

Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation
Summary:

Our prior audit of the District found that the District continued to use software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District's entire computer system, including all its data and the above software, was maintained on the Berks County Intermediate Unit 14's (Intermediate Unit) servers, which was physically located at the Intermediate Unit. The District had remote access into the Intermediate Unit's network servers, with the Intermediate Unit providing system maintenance and support.

Based on our prior year procedures, we determined that a risk exists that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system. However, since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the District's membership information and result in the District not receiving the funds to which it was entitled from the state.

1. We found the District had the following weaknesses over vendor access to the District's system:
2. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
3. The District's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
4. The District has certain weaknesses in logical access controls. We noted that the District's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight (8) characters; and to maintain a password history (i.e., approximately ten (10) passwords).

Recommendations:

Our audit observation recommended that the District should:

1. Only allow access to their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
2. Ensure that the District's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
3. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight (8) characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten (10) passwords).

Current Status:

During our current audit, we found that the District did implement our prior recommendations. District servers are now located in-house eliminating the Intermediate Unit as an outside vendor. The District employs six (6) information technology individuals that monitor user

name and passwords. Passwords must meet minimum complexity to be accepted. Passwords expire every 120 days and a history of the last two (2) passwords is maintained. Passwords have an eight (8) character minimum, which must have at least one (1) capital letter, one (1) lower case letter, and two (2) numbers.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

The Honorable Tom Corbett
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The Honorable Carolyn Dumaesq
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.