



**BERLIN BROTHERSVALLEY SCHOOL DISTRICT  
SOMERSET COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**OCTOBER 2013**

**COMMONWEALTH OF PENNSYLVANIA**  
**EUGENE A. DEPASQUALE - AUDITOR GENERAL**  
**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

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

Mr. Larry Philip, Board President  
Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania 15530

Dear Governor Corbett and Mr. Philip:

We conducted a performance audit of the Berlin Brothersvalley 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 20, 2010 through May 2, 2013 except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2011, 2010, and 2009. 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

October 10, 2013

cc: **BERLIN BROTHERSVALLEY SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Berlin Brothersvalley School District (District). 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 20, 2010 through May 2, 2013, 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 2011-12, 2010-11, 2009-10, and 2008-09 school years.

### **District Background**

The District encompasses approximately 166 square miles. According to 2010 federal census data, it serves a resident population of 5,842. According to District officials, the District provided basic educational services to 883 pupils through the employment of 70 teachers, 49 full-time and part-time support personnel, and 6 administrators during the 2011-12 school year. Lastly, the District received \$7 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 District from an audit released on December 27, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to pupil transportation errors (see page 6) and unmonitored vendor system access (see page 7).

## Audit Scope, Objectives, and Methodology

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### 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 20, 2010 through May 2, 2013, except for the verification of professional employee certification which was performed for the July 1, 2012 through March 5, 2013.

Regarding state subsidies and reimbursements, our audit covered 2011-12, 2010-11, 2009-10, and 2008-09 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 transportation subsidies, were the District, and any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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 taking 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

### *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 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 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 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 control 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, bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 27, 2010, we reviewed the District's response to PDE dated April 17, 2013. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Berlin Brothersvalley School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Berlin Brothersvalley School District (District), released on December 27, 2010, resulted in one finding and one observation. The finding pertained to pupil transportation reporting errors, and the observation pertained to 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 analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), 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 pupil transportation reporting errors, and unmonitored vendor system access and logical access control weaknesses.

### Auditor General Performance Audit Report Released on December 27, 2010

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**Finding:**                      **Pupil Transportation Reporting Errors Resulted in Subsidy Overpayments to the District of \$34,525**

Finding Summary:        Our prior audit of the District's pupil transportation reports submitted to PDE for the 2007-08 and 2006-07 school years found a significant number of errors, resulting in transportation subsidy overpayments of \$18,271 and \$16,254, respectively.

District personnel incorrectly reported the number of days pupils were transported, the daily miles vehicles traveled with and without pupils, the number of pupils assigned to ride vehicles, and other miscellaneous data.

Recommendations:      Our audit finding recommended that the District should:

1. Conduct an internal review to ensure days of service, daily mileage, pupil counts, and other data elements which make up the transportation formula are reported accurately.
2. Calculate the number of miles vehicles traveled in accordance with either the weighted average or sample average methods approved by PDE.
3. Ensure that sufficient documentation is available to determine the number of days all pupils are assigned to ride vehicles, including the names of pupils.
4. Review reports submitted to PDE subsequent to the years audited and submit revised reports if errors are found.

We also recommended that PDE should:

5. Adjust the District's future allocations to correct the overpayments of \$34,525.

Current Status:

During our current audit, we found that the District correctly reported the number of days pupils were transported, daily miles vehicles traveled with and without pupils, and the number of pupils assigned to ride vehicles. Additionally, buses that only made one trip per day were correctly reported. Therefore, we concluded that the District has implemented our recommendations

As of May 2, 2013, PDE had not yet adjusted the District's allocations. We again recommend that PDE adjust the District's allocations to recover the \$34,525 overpayment.

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**Observation**

**Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation Summary:

Our prior audit found 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 was 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.

Recommendations:

Our audit observation recommended that the District should:

1. Develop a contract with the vendor that contains a non-disclosure agreement for the District's proprietary information.
2. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's AUP.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.

5. 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 characters and include alpha, numeric, and special characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), and implement a security policy and system parameter settings to lock out users after three unsuccessful attempts.
6. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with remote access to its data and ensure that changes are made only by authorized vendor representatives.
7. Allow access to the system only when the vendor needs to make pre-approved changes/updates or provide requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
8. Generate monitoring reports of vendor and employee access and activity on their system. Monitoring reports should include the date, time, and reasons for access, change(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.
9. Require upgrades/updates to the District's system to be performed only after receipt of written authorization from appropriate District officials.
10. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

Current Status:

During our current audit, we found that, as of the 2012-13 school year, the District no longer contracts with this vendor. The information technology internal control review determined that the District has reasonable controls in place over its information technology resources. Therefore, we concluded that the District has implemented our recommendations.

## **Distribution List**

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

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

The Honorable Carolyn Dumaesq  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
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Harrisburg, PA 17120

Ms. Lori Graham  
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P.O. Box 2042  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).