



**BUTLER AREA SCHOOL DISTRICT
BUTLER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MARCH 2014

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. Donald Pringle, Board President
Butler Area School District
110 Campus Lane
Butler, Pennsylvania 16001

Dear Governor Corbett and Mr. Pringle:

We conducted a performance audit of the Butler Area 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 1, 2011 through October 23, 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, 2011 and June 30, 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, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative 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

March 13, 2014

cc: **BUTLER AREA 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 Butler Area School District (District) in Butler 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 1, 2011 through October 23, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 143 square miles. According to 2010 federal census data, it serves a resident population of 54,849. According to District officials, the District provided basic educational services to 7,473 pupils through the employment of 555 teachers, 344 full-time and part-time support personnel, and 21 administrators during the 2011-12 school year. The District received \$40,318,704 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, except for one (1) compliance related matter reported as a finding.

Finding: Certification Deficiency. Our audit of the Butler Area School District's (District) professional employees' certification and assignments for the period June 21, 2011 through August 28, 2013, found one (1) professional employee was teaching with a lapsed certificate. As a result, the District is subject to subsidy forfeitures totaling \$6,005, for the 2010-11, 2011-12, and 2012-13 school years (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Butler Area School District (District) from an audit released on January 31, 2012, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical control weaknesses (see page 8).

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 1, 2011 through October 23, 2013, except for the verification of professional employee certification, which was performed for the period June 21, 2011 through August 28, 2013.

Regarding state subsidies and reimbursements, our audit covered the 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?

- ✓ 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 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

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.

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 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 January 31, 2012, we reviewed the District's response to PDE dated February 20, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC), 24 P.S. § 1202, provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

Section 2518 of the PSC, 24 P.S. § 2518 requires forfeiture for uncertified teachers by providing, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Certification Deficiency

Our audit of the Butler Area School District’s (District) professional employees’ certification and assignments for the period June 21, 2011 through August 28, 2013, found one (1) professional employee was teaching with a lapsed Instructional I Provisional certificate for the period noted above.

The Pennsylvania Department of the Auditor General does not determine certification deficiencies. Information pertaining to the deficiency was submitted to the Pennsylvania Department of Education, Bureau of School Leadership and Teacher Quality (BSLTQ), for its review.

On October 20, 2013, BSLTQ determined that the individual was not properly certified, and the District is subject to the following subsidy forfeitures:

| School Year | Subsidy Forfeitures |
|---------------|---------------------|
| 2010-11 | \$ 1,206 |
| 2011-12 | 2,395 |
| 2012-13 | <u>2,404</u> |
| Total: | \$ 6,005 |

The deficiency resulted from District personnel’s failure to adequately monitor provisionally certified employees’ certificates.

It is the responsibility of District management to have in place internal policies and procedures to ensure that employees are properly certified and that certification is current. Without appropriate internal controls, the District is at risk of subsidy forfeiture.

Beginning with the 2013-14 school year, the employee was reassigned duties that will not require the professional certificate in question.

Recommendations

The *Butler Area School District* should:

1. Strengthen controls to help ensure that individuals' certificates are kept current.
2. Monitor years of service for all provisionally certified employees.
3. Develop procedures to determine that applications for permanent certificates have been received by the BSLTQ.

The *Pennsylvania Department of Education* should:

4. Adjust the District's allocations to recover any subsidy forfeiture which may be levied.

Management Response

“The employee obtained her Instructional II Certificate in mathematics while earning a Masters' Degree and certification in guidance. As the College Tech Prep Coordinator, she was not serving as a guidance counselor, and did not realize she had to apply to make her guidance certificate permanent since she already had her Instructional II in mathematics. The School District now realizes that this should have been done since the District established that a qualification for the job of College Tech Prep Coordinator is a valid certification as a guidance counselor.

The District will continue to monitor the certification status of all professional employees and ensure that all certificates are valid and up-to-date. Employees will be notified in advance if their certifications are due to lapse, and the District will provide assistance in making provisional certificates permanent.”

Auditor Conclusion

We are encouraged that the District recognizes the deficiency and is taking steps to address it. We will follow up on the issue during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Butler Area School District (District) released on January 31, 2012, resulted in one (1) observation, as shown below. The observation pertained to unmonitored vendor system access and logical 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 observation. As shown below, we found that the District did implement our recommendations related to unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on January 31, 2012

| | |
|-----------------------------|---|
| Observation: | Unmonitored Vendor System Access and Logical Access Control Weakness |
| <u>Observation Summary:</u> | Our prior audit of the District found that unauthorized changes to the District 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. |
| <u>Recommendations:</u> | Our audit observation recommended that the District should: <ol style="list-style-type: none">1. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants or have the vendor sign the District's Acceptable Use Policy.2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, the District should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are only made by authorized vendor employees.3. Allow access to the system only 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.4. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on their system. Monitoring reports should include the date, time, and reason 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 review.

5. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.
6. The District should consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should install fire detectors in the computer room and keep the servers in a temperature controlled room.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. Customers are provided with three (3) computer related sections of the company handbook that outlines IT policies and procedures. A Login Report is maintained that contains workstation userIDs and a listing of vendor employees authorized to access the District's system. The District uses an application and server change management form to allow access to the system to make pre-approved changes/updates. Firewall logs and Login Reports are maintained to monitor vendor and employee access and activity on their system. Upgrades/updates to the District's system are made only after approval from appropriate District officials via application and server change management form. An air handling/cooling unit and a fire/smoke detector were added to the computer room. All of these implementations took place from July 2, 2011 through February 20, 2012, with the exception of the last one (1), which took place during 2013.

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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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.