



NEW KENSINGTON-ARNOLD SCHOOL
DISTRICT

WESTMORELAND COUNTY,
PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JUNE 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. Robert Pallone, Board President
New Kensington-Arnold School District
707 Stevenson Boulevard
New Kensington, Pennsylvania 15068

Dear Governor Corbett and Mr. Pallone:

We conducted a performance audit of the New Kensington-Arnold School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period July 22, 2009 through August 24, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these 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,

/s/

EUGENE A. DEPASQUALE
Auditor General

June 19, 2013

cc: **NEW KENSINGTON-ARNOLD SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding - Certification Deficiency	5
Status of Prior Audit Findings and Observations	8
Distribution List	10

Executive Summary

Audit Work

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

Our audit scope covered the period July 22, 2009 through August 24, 2011, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 5 square miles. According to 2010 federal census data, it serves a resident population of 18,265. According to District officials, the District provided basic educational services to 2,248 pupils through the employment of 194 teachers, 88 full-time and part-time support personnel, and 21 administrators during the 2009-10 school year. Lastly, the District received \$16.6 million in the state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Certification Deficiency. Our audit of the New Kensington-Arnold School District's professional employees' certification and assignments for the period July 1, 2010 through June 30, 2011, found one professional taught on a lapsed certificate (see page 5).

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 January 22, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to information technology (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 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 22, 2009 through August 24, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through June 30, 2011.

Regarding state subsidies and reimbursements, our audit covered the 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 applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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?

- ✓ Were there any declining fund balances that may pose a risk to the District’s fiscal viability?
- ✓ 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 there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ 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?
- ✓ 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 applicable laws, contracts, grant requirements, and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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 applicable laws, contracts, grant requirements, and administrative procedures. 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 applicable state laws, regulations, contracts, grant requirements, and administrative procedures 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 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 January 22, 2010, we reviewed the District's response to PDE dated February 25, 2010. 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. § 12-1202, provides, in part:

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

Section 2518 of the PSC, 24 P.S. § 25-2518, provides, 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 has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$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 New Kensington-Arnold School District’s (District) professional employees’ certifications and assignments for the period July 1, 2010 through June 30, 2011, found one teacher taught on a lapsed certification throughout the 2010-11 school year.

Information pertaining to the deficiency was submitted to the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. Subsequent to our completion of fieldwork, BSLTQ confirmed the deficiency. Therefore, the District is subject to a subsidy forfeiture of \$1,610 for the 2010-11 school year.

The certificate lapsed because no one from the District was monitoring the use of the provisional certificates, and because the District did not have adequate procedures in place to verify its employees’ certifications.

In addition to the subsidy forfeiture, failure to ensure that certificates are up-to-date jeopardizes the District’s ability to ensure students receive instruction from properly certified teachers.

Recommendations

The New Kensington-Arnold School District should:

Review its current procedures for ensuring that all professionals hold valid certifications throughout their tenure with the District, and make any necessary improvements.

The *Pennsylvania Department of Education* should:

Recover the subsidy forfeiture levied as a result of BSLTQ's determination.

Management Response

Management stated the following:

“Further review has indicated that the employee at issue . . . was certified in Music - Level I - effective May 2004 to May 2010. . . and recertified in Music - Level II - effective June 2011. . . . Further, the employee was off on sick leave and/or FMLA [Family and Medical Leave Act] approved leave from April 29, 2010 through October 25, 2010.

It should be noted that [the employee]s Application for Level II Certificate Form PDE 338 P was approved by [the] then superintendent . . . on January 24, 2010 . . . and filed accordingly in the employee's local personnel file. The District relied in good faith on 01/24/2010 338 P and it is unknown as to why [the employee]'s January 24, 2010 application was not timely approved by the Department of Education.

Upon learning that the employee's Level II certificate was not on file and/or approved, she promptly resubmitted the Application for Level II Certificate, Form PDE 338 P that was re-approved by [the] then superintendent . . . on June 15, 2011. . . . [The employee] was finally approved, Professional Certificate, Music, code 62, by the Department of Education, effective June 2011.

Throughout the period in question, [the employee] possessed the proper credentials to maintain her certification that should have been approved on or after January 24, 2010. The NKASD [New Kensington-Arnold School District] acted in good faith by relying on the January 24, 2010 application materials and upon realization that the original application had not been timely approved, NKASD and [the employee] promptly acted to generate and submit the re-application which was finally approved by PDE - Professional Certificate: Music, Level II, effective June 2011.”

While current internal policy requires professional employees to ensure that each professional employee is timely and properly certified, NKASD is currently reviewing the policy to update and improve the policy, including but not limited to implementation of an internal docketing/tickle system to more closely monitor licensure and certification of all professional and/or licensed employees.

At this time, no additional corrective action or remedial action is necessary. The issue has been favorably resolved to ensure that the professional employee at issue is currently properly certified in her discipline.”

Auditor Conclusion:

Any additional concerns about this finding should be directed to the BSLTQ, as it makes the final decision with regard to certification deficiencies.

Status of Prior Audit Findings and Observations

Our prior audit of the New Kensington-Arnold School District (District) released on January 22, 2010, resulted in one observation. The observation pertained to unmonitored vendor system access. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior observation. As shown below, we found that the District did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on January 22, 2010

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

Observation
Summary:

Our prior audit found that the District used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the District's network servers. We determined that a risk existed 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.

Recommendations: Our audit observation recommended that the District:

1. 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 Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (e.g., every 30 days), use passwords that are a minimum length of eight characters, and maintain a password history that will prevent the use of repetitive passwords (e.g., last ten passwords).

3. 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 made only by authorized vendor representatives.

Current Status:

During our current audit we found that the District did implement the recommendations as follows:

1. The Acceptable Use Policy was revised this year, requiring signatures by all students, staff, and the vendor.
2. The system forces the user to change passwords every 60 days.
3. Passwords require a minimum of six characters, including alpha numeric and special characters.
4. A unique userID and password is used by the vendor.
5. The District has the ability to create activity logs, which are only reviewed in case of errors.

Distribution List

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

The Honorable Tom Corbett
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The Honorable William E. Harner
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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 this 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.

