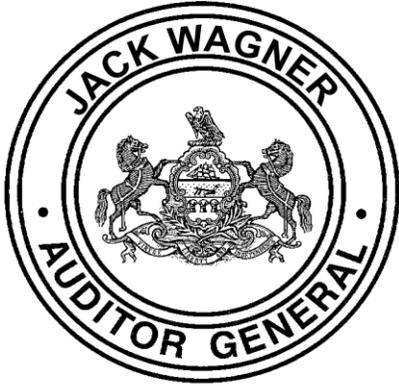


NORTHERN YORK COUNTY SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

NORTHERN YORK COUNTY SCHOOL DISTRICT
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background	5
Objectives, Scope and Methodology	6
Conclusions	7
Objective No. 1	7
Objective No. 2	20
Supplementary Information: Schedule and Description of State Revenue Received	29
Audit Report Distribution List	33



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

Mr. Charles Comrey, Board President
Northern York County School District
149 South Baltimore Street
Dillsburg, Pennsylvania 17019

Dear Governor Rendell and Mr. Comrey:

We have conducted a performance audit of the Northern York County School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. 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 was limited to the following objectives:

- Objective No. 1 - To determine if the Northern York County School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Northern York County School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

To plan and perform our audit of the Northern York County 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 Northern York County School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the findings and recommendations contained in our prior audit report, except as noted in Finding Nos. 1 through 3 listed under Objective No. 1 below, and the finding listed under Objective No. 2. We also identified internal control weaknesses as discussed in Finding No. 4 and the observations. The findings and observations are discussed further in the Conclusions section of this report:

Objective No. 1

- Finding No. 1 – Possible Conflict of Interest
- Finding No. 2 – Failure to Obtain Memorandum of Understanding
- Finding No. 3 – Board Member Failed to File Statement of Financial Interests in Violation of the Public Official and Employee Ethics Act
- Finding No. 4 – Unmonitored Vendor System Access and Logical Access Control Weaknesses
- Observation No. 1 – Internal Control Weaknesses Regarding Memorandums of Understanding
- Observation No. 2 – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Objective No. 2

- Finding – Certification Deficiencies
- Finding – Social Security Reimbursement Net Underpayment of \$4,334

Independent Auditor's Report (Continued)

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.

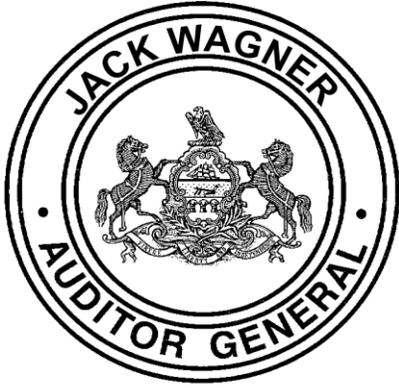
Sincerely

/s/

JACK WAGNER
Auditor General

December 23, 2010

cc: **NORTHERN YORK COUNTY SCHOOL DISTRICT** Board Members



NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Northern York County School District is located in York County and encompasses an area of approximately 92 square miles. The school district has a population of 20,023, according to a 2005 local census. The administrative offices are located at 149 South Baltimore Street, Dillsburg, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 3,187 pupils through the employment of 16 administrators, 243 teachers, and 173 full-time and part-time support personnel. Special education was provided by the district and the Capital Area Intermediate Unit #15. Occupational training and adult education in various vocational and technical fields were provided by the district and the Cumberland-Perry Area Vocational-Technical School.

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 29 through 32 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Northern York County School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Northern York County School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006.

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Northern York County 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 Northern York County 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 Conclusions-Objective No. 2 section of this report and Finding Nos. 1 through 3 below. Additionally, we identified internal control weaknesses as noted in Finding No. 4 and the observations included in this report. The findings, observations and recommendations were reviewed with representatives of the Northern York County School District, and their comments have been included in this report.

Finding No. 1 – Possible Conflict of Interest

Our audit of district records and board members’ Statements of Financial Interests identified transactions that may have constituted a conflict of interest for two board members.

The Pennsylvania Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, Section 1102, 65 Pa.C.S. § 1102, defines “conflict of interest” as follows:

Use by public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated . . .

Section 1103(f) of the Ethics Act, 65 Pa.C.S. § 1103(f), provides, in part:

No public official or public employee or his spouse or child or any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated or any subcontract valued at \$500 or more with any person who has been awarded a contract with the governmental body with which the public official or public employee is associated, unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official or public employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Furthermore, Section 324 of the Public School Code, 24 P.S. § 3-324(a), provides, in part:

No school director shall, during the term for which he was elected or appointed, as a private person engaged in any business transaction with the school district in which he is elected or appointed, be employed in any capacity by the school district in which he is elected or appointed, or receive from such school district any pay for services rendered to the district

Our audit found that during calendar years 2002 through 2007 the Northern York County School District purchased a total of \$78,774 of preprinted forms and documents from a company that was at least partly owned by a sitting board member. Likewise, the audit revealed that during calendar years 2004 through 2007 the district purchased a total of \$29,992 in heating, ventilating, and air conditioning services and repairs from a company in which another sitting board member had an ownership interest.

Our review of the board minutes and discussion with school personnel found that when present, the members did abstain from voting to approve payment to their particular companies. However, there was no open and public bidding process to award contracts for the goods and services the school district purchased from these companies.

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:

- strengthen controls regarding the review of Statements of Financial Interests to ensure detection of any potential conflicts of interest; and
- strengthen controls to help ensure compliance with state laws regarding board members conducting business with the district.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Response of Management

Management agreed with the finding and provided the following response:

The District acknowledges that they have conducted business with firms that are owned in part by board members. The District will implement a policy that is aligned with school code and the Ethics Act.

During 2007-2008 a competitive bid was conducted for printing.

Finding No. 2 – Failure to Obtain Memorandum of Understanding

Our audit of the district’s records found that it does not have a Memorandum of Understanding (MOU) with the Pennsylvania State Police, which is responsible for coverage at the Wellsville Elementary School.

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.¹

The failure to obtain an MOU represents an internal control weakness that could result in a lack of cooperation, direction, and guidance between district employees and law enforcement agencies when an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to and from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendation

The school board and district administrators in consultation with the district’s solicitor and local law enforcement should develop and obtain a current MOU between the district and the Pennsylvania State Police.

¹24 P.S. § 13-1303-A(c).

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Response of Management

Management provided the following response agreeing with the finding:

District was unaware that a Memorandum of Understanding was necessary for the State Police. The District will put procedures in place to obtain the necessary Memorandum of Understanding.

Finding No. 3 – Board Member Failed to File Statement of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our audit of district records, conducted on July 5, 2007, found that one former board member failed to file a Statement of Financial Interests for the year ended December 31, 2005.

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 Statements 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 member's failure to file the Statements 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 Statements 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 . . .

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

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 Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided the following response agreeing with the finding:

Former board member and employees who left the District did not file a Statements of Financial Interests the year following their departure. The Board Secretary will follow up with all individuals who are required to file a Statements of Financial Interests following the year of their departure to secure the required filing.

Finding No. 4 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Northern York County School District uses software purchased from the Capital Area Intermediate Unit #15 (CAIU) for its critical student accounting applications (membership and attendance). Additionally, the district's entire computer system, including all its data and the above software is maintained on the CAIU's servers which are physically located at the CAIU. The district has remote access into the CAIU's network servers, with CAIU providing system maintenance and support.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

Based on our current 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 they are adequately monitoring all vendor activity in their system. Further, the district does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the district does not have adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes is increased.

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.

During our review, we found the district had the following weaknesses, over vendor access to the district's system:

1. The district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including CAIU and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the CAIU may have altered or which CAIU employees accessed their system;
2. The district does not have evidence to support that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;
3. The vendor has unlimited remote access (24 hours a day/7 days a week) into the district's system;
4. The contract with the CAIU did not contain a non-disclosure agreement for the district's proprietary information;
5. The district was unable to provide evidence that they require written authorization for adding, deleting, or changing a userID;
6. The school district does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

7. The district does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the CAIU to sign the district's Acceptable Use Policy;
8. The district's Acceptable Use Policy does not include provisions for accountability (responsibilities of users, auditing, incident handling), authentication (e.g., password security and syntax requirements) or violations/incidents (what is to be reported and to whom); and
9. 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 CAIU, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Recommendations

We recommend the district implement the following:

1. The district should generate monitoring reports (including firewall logs) of the CAIU and employee remote 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 and review;
2. The district should maintain evidence that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

3. The district should only allow remote 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;
4. The contract with the CAIU should contain a non-disclosure agreement for the district's proprietary information;
5. The district should develop policies and procedures to require written authorization when adding, deleting, or changing a userID;
6. The district should maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner;
7. The district should establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the CAIU sign this policy, or the district should require the CAIU to sign the district's Acceptable Use Policy;
8. The district's Acceptable Use Policy should include provisions for accountability (responsibilities of users, auditing, incident handling), authentication (e.g., password security and syntax requirements) and violations/incidents (what is to be reported and to whom); and
9. The district should implement a security policy and system parameter settings to require all users, including the CAIU, 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), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

Response of Management

The school district provided the following response to our finding:

The school district will address each of the findings as follows:

1. The District will monitor PowerSchool logs as defined in policy.
2. The District will create a policy to address the reconciliation between system generated membership and attendance reports and manually kept membership and attendance records.
3. The PowerSchool server is located on the premises of the CAIU; it is therefore impossible for the District to restrict access to the system. The CAIU has view only access to the pages in the system that deal with membership and attendance. If at any time, the CAIU needs to fix a problem dealing with these two areas, the Director of Technology will give the CAIU access to these pages to fix the problem and return the access to view only after the problem has been resolved.
4. The CAIU contract will be updated to include a non-disclosure agreement for the District's proprietary information. In addition the CAIU will be required to sign the District AUP [acceptable use policy].
5. The District will be developing policies and procedures to address adding, deleting and changing userID. The policy will require written authorization prior to any changes being made to accessing the system. The policy will address new hires, transfers and terminations.
6. The District will Update their AUP to include provisions for accountability (responsibilities of users, auditing, incident handling), authentication (e.g., password security and syntax requirements) and violations/incidents (what is to be reported and to whom).

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

7. PowerSchool does not have the option to force users to change their password every 30 days or prevent them from using a previous password; the District has requested that PowerSchool add this feature to their program. In addition the District will include information in the AUP referring to changing passwords every 30 days, not using a previous password and will require a minimum length of eight characters and the inclusion of alpha, numeric, and special characters.
8. The District has changed the period of inactivity from 120 minutes to 60 minutes.

The recommendation to change lock out users after three unsuccessful attempts instead of six would cause the District a hardship, as all users would be locked out of the system and could not be reinstated until the CAIU is contacted and the system is reset.

Auditor's Conclusion

The CAIU's view-only access of the database appears reasonable, as does the district's plan to restrict the CAIU's ability to change data.

Due to the sensitive nature of the information in the system, we continue to recommend the logical access settings detailed in our recommendations. Further, the district should pursue a solution with the CAIU concerning lock out of all users when only one user has exceeded the recommended three login attempts.

Observation No. 1 – Internal Control Weaknesses Regarding Memorandums of Understanding

Our audit of the district's records found that the current MOU between the district and the Carroll Township and Northern Regional police departments were signed July 15, 2003 and March 7, 2005, respectively, and have never been updated.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation No. 1 (Continued)

As noted in Finding No. 2, Objective No. 1, Section 1303-A(c) of the Public School Code requires all school entities to develop an MOU with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU format to be used by school entities. Section VI, General Provisions, item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between district employees and law enforcement agencies when an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The board of directors and district administration in consultation with the solicitor should review, update and re-execute the current MOUs between the district and the Carroll Township and Northern Regional police departments.

Additionally, the board of directors should adopt a policy requiring the administration to review and re-execute all MOUs every two years.

Response of Management

Management agreed with the observation and provided the following response:

Due to confusion regarding frequency of new Memorandum of Understandings the district did not have the required years in place. The district will establish a procedure to ensure Memorandum of Understandings are received every 2 years.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation No. 2 - Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

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 of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.²

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.³

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 of the personnel records of a random sample of 28 of 49 bus drivers currently employed by the district's transportation contractors found that these individuals possessed the minimum requirements to be employed as bus drivers and that the Northern York County School District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the Northern York County School District from hiring any of the drivers. Therefore, we concluded that the Northern York County School District has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicant's suitability to have direct contact with children.

However, our review found that neither the district nor its 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.

² 24 P.S. § 1-111.

³ 23 Pa.C.S. § 6355.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

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 or the district's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children; and
- implementing written policies and procedures to ensure 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 and to ensure that the district considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Response of Management

Management provided the following response agreeing with the observation:

Each Year the District assures that all bus drivers are properly certified and have appropriate clearances. There is no assurance however that the bus drivers have not experienced some event which may have jeopardized their clearances. For that reason the District will request updated clearances for bus drivers beginning in the school year 2008-09.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Northern York County School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report for the years ended June 30, 2002, 2001, 2000 and 1999, and in certain areas extending beyond June 30, 2002. The status of these findings, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated February 12, 2004, to the Department of Education (DE), replying to the Department of the Auditor General's audit report for the years ended June 30, 2002, 2001, 2000 and 1999, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding specific prior years' findings and recommendations.

Finding No. 1 – Transportation Reimbursement Underpayments of \$192,717

Our prior audit of transportation reports for the 2001-02, 2000-01, 1999-2000, and 1998-99 school years found errors in transportation contractor cost data and in the number of nonpublic students reported to DE, resulting in total reimbursement underpayments of \$192,717 for the four years.

We recommended that district personnel:

- reconcile contractor costs with the books of account and district calculations to ensure agreement between the books of account, the annual financial report, and the amounts reported to DE;
- review the manual of accounting to determine what costs should and should not be included as amounts paid to contractors and report contractor costs in accordance with DE instructions;
- prepare a list of nonpublic students each year that includes the name and bus number of each nonpublic student transported to or from the nonpublic school, in accordance with DE instructions; and

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

- review reports submitted subsequent to the audit period for similar errors, and if errors were found, submit revised reports to DE.

We also recommended that DE adjust the district's allocations to resolve the reimbursement underpayments of \$192,717.

In its written response the board agreed with the finding and noted:

This problem was caused by: 1) a misunderstanding in the reporting of contractor cost payments to PDE; 2) the failure to report one of the vo-tech bus runs to the State for the 1999-2000 school year; and 3) the failure of the District to report all of the nonpublic students that are scheduled for transportation instead of limiting that number to the capacity of the bus.

In accordance with the Auditor General's recommendations, the District will report all costs paid to contractors, reconciling those costs with the books of account and District calculations. The District will report all bus runs to the State for reimbursement. The district will report all eligible non-public students that are transported to the State for reimbursement. Finally, the District will review all transportation reports submitted to the State for reimbursement for the 2002-03 fiscal year and correct any errors of a similar nature. Future reports will be reviewed prior to submission to avoid such errors.

Our current audit found that district personnel did prepare a revised 2002-03 transportation report to correct continuing errors such as those noted in our prior finding. Additionally, our audit found that district personnel complied with our other recommendations, and no significant errors were noted in the district's transportation reports for the current audit years.

DE paid the district \$195,407 on February 23, 2006, to resolve this finding. As result of additional information provided to DE subsequent to our prior audit, DE determined the district underpayments totaled \$193,042. The additional \$2,365 was for DE adjustments unrelated to our prior audit of the district.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 – Retirement Reimbursement Overpayments of \$13,962

Our prior audit of the district's 1999-2000 and 1998-99 Reconciliation of the State Share of Retirement Contributions forms (PDE-335) found errors in the wages reported to the Labor, Education and Community Services (LECS) Comptroller's Office, which resulted in total reimbursement overpayments of \$13,962 for both years.

We recommended that district personnel review the LECS reconciliation of reimbursement paid for accuracy, and contact LECS personnel to resolve any errors.

We also recommended that LECS adjust the district's allocations to recover the \$13,962 retirement reimbursement overpayments.

In its written response the board agreed with the finding and noted:

This problem occurred in the 1998-99 and 1999-2000 fiscal years and was caused by the District incorrectly reporting federal Social Security and Medicare wages rather than the state retirement wages on the PDE-335 report. The District used internal data instead of reconciling to the retirement wage information from PSERS.

Beginning in the 2000-01 school year, the State changed the process by which retirement reimbursement is applied for, eliminating this error. The District will continue to review LECS Comptroller's Office reconciliation of reimbursement paid for accuracy.

As noted in the board's response, the district is no longer required to file an application for retirement reimbursement. The reimbursement is now calculated by the Pennsylvania Public School Employees Retirement System and paid directly to the district based on the actual retirement wages reported by the district. Retirement reimbursement paid to the district during our current audit years was correct.

As of October 5, 2007 recovery of the overpayments was still pending final review by LECS. We again recommend that LECS adjust the district's allocations and recover the reimbursement overpayments of \$13,962.

Based on the results of our current audit, we concluded that due to the change in reimbursement process, no further corrective action was required by the district to address this finding.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 – Certification Deficiencies

Our prior audit of professional employees' certification and assignments from May 5, 2001, through September 24, 2003, was performed to determine compliance with the Public School Code and DE's Bureau of Teacher Certification and Preparation (BTC) Certification and Staffing Policies and Guidelines (CSPG). Our review found:

- an individual holding a certificate in Agriculture was assigned to teach technical drawing during the 2002-03 school year, which requires certification in Industrial Arts/Technology Education, as described in CSPG #37;
- a teacher held an expired intern certificate from April of 2003 through May of 2003;
- a teacher was assigned to teach Speech and Language beginning in September of 2002 but did not hold a certificate until November of 2002;
- a teacher was assigned to teach Elementary Instrumental/Strings from September of 2001 through November of 2001 but did not hold a certificate during this period; and
- an administrator held a lapsed certificate from July of 2002 through December of 2002.

As a result of the deficiencies, the district was subject to subsidy forfeitures of \$3,481 and \$985 for the 2002-03 and 2001-02 school years, respectively.

We recommended that the superintendent:

- require the individual certified in agriculture to obtain drafting certification or reassign the individual to subjects covered by his area of certification; and
- review work histories for individuals who hold temporary certificates and take appropriate action to ensure that temporary certificates do not lapse prior to the individuals obtaining permanent certification.

We also recommended that DE take action to recover the subsidy forfeitures of \$4,466.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

In its written response the board indicated that the district would take corrective action to prevent future certification irregularities.

DE withheld \$4,466 from the district's June 1, 2004 reimbursement to assess the subsidy forfeitures.

Our current audit of professional employees' certification and assignments from September 25, 2003 through June 30, 2007 was again performed to determine compliance with the Public School Code and BTCP's CSPGs. Our current audit found that the individuals cited in our prior audit obtained the required certification for their assignments or resigned their position except for two of the individuals, as follows:

- the individual holding a certificate in Agriculture was again assigned to teach Technical Drawing during the 2003-04 school year. This individual was also assigned to teach a course titled A+ Level 1 during the 2003-04 school year. During the 2004-05 school year, the individual was assigned to teach a course titled Electricity. Both A+ Level 1 and Electricity were listed by the district as Technology Education courses, which require certification in Industrial Arts/Technology Education, according to CSPG #37; and
- the teacher assigned to teach Speech and Language was not certified for the period September of 2003 through October of 2004, and was not certified for the month of September 2005.

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.⁴

Section 2518 of the Public School Code 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 Department of Education but who has not been certificated for his position by the 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.⁵

⁴ 24 P.S. § 12-1202.

⁵ 24 P.S. § 25-2518.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Information pertaining to the assignments and possible lack of certification was submitted to BTCP for its review. BTCP subsequently confirmed the irregularities; the district is therefore subject to total subsidy forfeitures of \$5,679 for the 2005-06, 2004-05 and 2003-04 school years.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this finding.

Recommendations

The superintendent, in conjunction with BTCP's determination regarding the certification irregularities, should take necessary action required to ensure compliance with certification regulations.

DE should adjust the district's allocations to recover the subsidy forfeitures of \$5,679.

Response of Management

Management provided us with the following response agreeing with the finding:

[The first individual] was originally assigned to teach the technical drawing course in 2002-03 to help accommodate growing student needs in that area. This assignment continued into the next school year until we were able to restructure the Agriculture and Technology Education departments. [The individual] helped out by teaching Electronics in the following year. To remediate the certificate problem we dropped the Electronics course and [he] is currently teaching only in the Agriculture area.

[The second individual] accepted a teaching position in September of 2002. She required an emergency certificate which required that she get nine credits each year until she received certification in speech and language. The [individual] was not very diligent in re-applying in subsequent years, nor in getting proof of her completed course work to our administrative assistant who was attempting to facilitate her renewals. In the future, the District will endeavor to be more forceful in getting information from teachers requiring annual renewals of emergency certificates. [The individual] resigned in 2006 a few days prior to the beginning of the new school year.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 – Social Security Reimbursement Net Underpayment of \$4,334

Our prior audit of the district's 2001-02, 2000-01, 1999-2000 and 1998-99 Reconciliation of Social Security and Medicare Tax Contributions (PDE-2105) found errors in total taxable Social Security and Medicare wages reported to LECS for reimbursement for the 2001-02, 2000-01 and 1999-2000 school years only. These errors resulted in a net reimbursement underpayment of \$4,334.

We recommended that district personnel reconcile federal wages reported on the PDE-2105 with wages reported on the federal final expenditure reports. We also recommended that they review reports submitted for years subsequent to the audit years and, if similar errors occurred, submit revised reports to LECS.

We further recommended that LECS adjust the district's allocations to resolve the net reimbursement underpayment of \$4,334.

DE paid the district \$4,334 on March 11, 2005 to resolve this finding.

In its written response the board agreed with the finding and noted:

This problem occurred as a result of several factors: 1) federal wages paid not being reported to the State for reimbursement; 2) a State grant funded wages (Read-to-Succeed) incorrectly reported and the double reporting of IDEA [Individuals with Disabilities Education Act] wages; and 3) incorrectly reporting state funded Read-to-Succeed wages as being federally funded.

The District has corrected this problem and will report for reimbursement purposes all wages eligible for State reimbursement. In accordance with the Auditor General's recommendations, the District will reconcile federal wages reported on the PDE-2105 with wages reported on the federal final expenditure reports. The District will review the reports submitted for the 2002-03 fiscal year and if necessary, submit revised reports to the Comptroller's Office.

Our current audit found only minor errors in the reporting of wage data or reimbursement received by the district. However, while district personnel indicated that they are completing a reconciliation process, they should ensure that this process does not need to be strengthened given the small errors identified by our review.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 5 – Student Activity Fund Controls Require Improvement

Our prior audit of the student activity fund operations for the 2002-03 school year found that district personnel had not adequately controlled the fund operations, which resulted in:

- the operation of 11 administratively controlled accounts;
- the failure to ensure student related accounts were properly organized;
- the failure to remove inactive accounts;
- the improper operation of an interest account; and
- one account with a negative balance.

We recommended that the district's administration:

- review student activity fund accounts and determine the appropriate action for the 11 administratively controlled accounts;
- ensure student related accounts are formally organized;
- obtain proper approval from students before expending funds for administrative items such as checks, receipt books, etc.;
- close out inactive accounts in accordance with district policy; and
- resolve the negative balance in the Life Skills account.

In its written response the board agreed with the finding and stated that it would implement our recommendations.

Our current audit of the student activity account operations found the following:

- the 11 administratively controlled accounts were closed and their balances transferred to the district's general fund;
- all student accounts we reviewed were properly organized with officers and by-laws; however, we could not verify the operations of the High School Play and Pennsylvania Youth Government groups, since they failed to respond to our repeated requests for information;

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 5 (Continued)

- inactive accounts were closed and their balances transferred to the student council account. One of the previously inactive clubs is again active and retained its funds;
- all student groups have now approved the use of their interest income to pay for the costs related to maintaining their accounts; and
- deposits were made to the account with a negative balance and no other negative balances have occurred.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding. However, we recommend that district personnel ensure that the High School Play and Pennsylvania Youth Government groups are properly organized, with student officers and by-laws.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$10,457,135, \$10,218,005, \$9,784,932 and \$9,382,294, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
STATE REVENUE				
Basic Education	\$ 6,079,330	\$ 5,961,975	\$5,844,759	\$5,731,008
Read to Succeed	-	-	-	90,288
Charter Schools	21,641	15,675	7,189	8,482
School Performance Incentives	-	16,188	-	35,952
Tuition for Orphans and Children				
Placed in Private Homes	18,196	47,377	21,621	28,720
Homebound Instruction	426	235	456	810
Vocational Education	22,996	20,008	21,592	24,012
Alternative Education	16,185	17,216	13,599	14,985
Driver Education	7,060	6,080	6,755	7,000
Migratory Children	-	-	80	80
Special Education	1,430,838	1,389,152	1,371,838	1,326,500
Transportation	1,227,899	1,129,779	1,157,672	994,088
Rental and Sinking Fund Payments	373,625	405,536	463,353	421,925
Health Services	57,472	57,806	57,746	58,146
Social Security and Medicare Taxes	551,941	542,414	535,567	537,726
Retirement	335,876	292,806	267,705	95,442
Other Program Subsidies/Grants:				
PA Accountability	310,924	310,924	-	-
Drug Abuse Resistance Education	2,726	4,834	-	7,130
Lancaster-Lebanon Intermediate Unit #13 – Progress Monitoring	-	-	15,000	-
<u>TOTAL STATE REVENUE</u>	<u>\$10,457,135</u>	<u>\$10,218,005</u>	<u>\$9,784,932</u>	<u>\$9,382,294</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Read to Succeed

Revenue received from the Commonwealth to ensure that all students learn to read and write by the end of the third grade.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

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.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

Driver Education

Revenue received from the Commonwealth as subsidy for conducting a standardized driver education program. Payments are made in accordance with Section 2504.1 of the Public School Code.

Migratory Children

Revenue received from the Commonwealth as subsidy for the attendance of migratory children in accordance with Sections 2502 and 2509.2 of the Public School Code.

Special Education

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

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

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

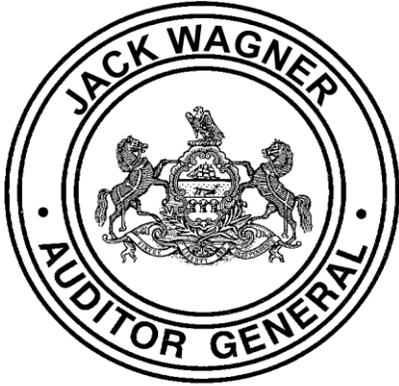
The Honorable Thomas E. Gluck
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.