

SOUTHERN LEHIGH SCHOOL DISTRICT
LEHIGH COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FEBRUARY 2012

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

Dr. Thomas McLoughlin, Board President
Southern Lehigh School District
5775 Main Street
Center Valley, Pennsylvania 18034

Dear Governor Corbett and Dr. McLoughlin:

We conducted a performance audit of the Southern Lehigh School District (SLSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 10, 2009 through December 6, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 SLSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one 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 SLSD's management and their response is included in the audit report. We believe the implementation of our recommendations will improve SLSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the SLSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

February 24, 2012

cc: **SOUTHERN LEHIGH SCHOOL DISTRICT** Board Members

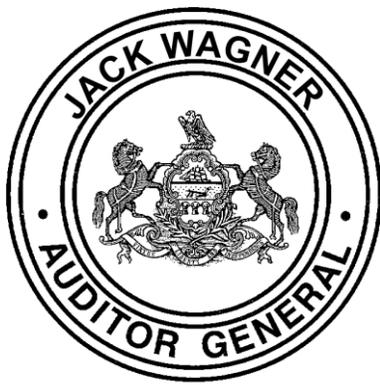
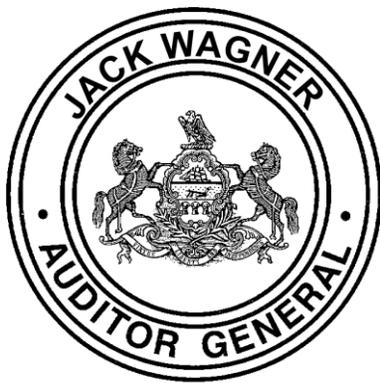


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Southern Lehigh School District (SLSD). 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 SLSD in response to our prior audit recommendations.

Our audit scope covered the period December 10, 2009 through December 6, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

District Background

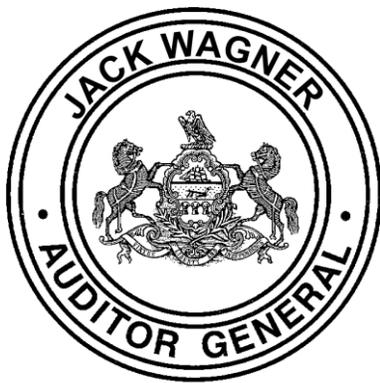
The SLSD encompasses approximately 45 square miles. According to 2010 federal census data, it serves a resident population of 21,004. According to District officials, in school year 2009-10, the SLSD provided basic educational services to 3,122 pupils through the employment of 233 teachers, 178 full-time and part-time support personnel, and 28 administrators. Lastly, the SLSD received more than \$9.1 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the SLSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Lack of Documentation Needed to Verify Bus Driver Qualifications. Our audit found that the SLSD failed to obtain/retain the required documentation/clearances for eight contracted bus drivers (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SLSD from an audit we conducted of the 2006-07 and 2007-08 school years, we found the SLSD had taken appropriate corrective action in implementing three of four of our recommendations pertaining to its student accounting applications (see page 8).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the 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 PA 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 December 10, 2009 through December 6, 2011, except for the verification of professional employee certification which was performed for the period 2010-11 school year, and new hires hired before November 17, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 Department of Education (DE) 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 SLSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the LEA have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System (PIMS) is complete, accurate, valid and reliable?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with Local Law Enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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

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.

SLSD 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. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

Any significant deficiencies found during the audit 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/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with SLSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2010, we reviewed the SLSD's response to DE dated July 12, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 111 of the Public School Code, 24 P.S. § 1-111(Act 34 of 1985, as amended) requires prospective school employees who 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 for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Additionally, as of April 1, 2007, under Act 114 of 2006 as amended, (see 24 P.S. §1-111(c.1), public and private schools have been required to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have contact with children, and make a determination regarding the fitness of the individual to have contact with children. The Act requires the report to be reviewed in a manner prescribed by PDE. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have contact with children.

Lack of Documentation Needed to Verify Bus Driver Qualifications

Our current audit found that the Southern Lehigh School District (SLSD) failed to obtain and retain the required documentation/clearances for eight contracted bus drivers.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following six requirements:

1. Possession of a valid driver's license;
2. Completion of school bus driver skills and safety training;
3. Passing a physical examination;
4. Lack of convictions for certain criminal offenses;
5. Federal Criminal History Record; and
6. Official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation (PennDOT). As explained further under criteria, the fourth and fifth requirements were set by the Public School Code of 1949, as amended (Public School Code). The sixth requirement was set by the Child Protective Services Law. In addition, when bus drivers change employers, they must obtain new clearances.

Review of records for twenty-five contracted drivers found one driver had their Acts 34 and 151 clearances on file, however, they were obtained a year after the hire date. Seven drivers did not have a current Act 114 Federal Criminal History Record clearance on file, as required by the Public School Code. In addition, one driver had their Act 114 clearance on file; however, it was obtained several

Criteria relevant to the finding:

Similarly, Section 6355 of the Child Protective Services Law, 23 PaC.S. §6355, known as Act 151, requires prospective school employees to submit an official clearance statement obtained from the Department of Public Welfare. The CPSL prohibits the hiring of an individual named as the perpetrator of a founded report of child abuse or is named as the individual responsible for injury or abuse in a founded report for school employee.

months after the hire date. The District's failure to verify the required clearances and requirements could result in the employment of individuals who may pose a risk if allowed to have direct contact with the District's students.

A lack of policy and procedures to monitor contracted driver qualifications resulted in the absence of this documentation.

During our audit, we informed SLSD management of the late or missing documentation. On November 22, 2011 and December 5, 2011, District personnel provided us five of the seven missing Act 114 clearances.

As of the end of our fieldwork, December 6, 2011, SLSD management did not provide us with the remaining two missing Act 114 clearances. Therefore, we were unable to verify that the drivers were suitable to have direct contact with children.

Recommendations

The *Southern Lehigh School District* should:

1. Immediately obtain the missing documentation in order to ensure that the drivers transporting students for the District possess proper qualifications.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Maintain files for all drivers to ensure that the District's files are up-to-date and complete.

Management Response

Management stated the following:

The cause of the problem was an oversight on the part of the administrator in charge of this activity. The District has already reviewed all busing records and has taken action to correct the incomplete or missing documentation, at the District's expense. These records will now be periodically reviewed, by the Director of Support Services, according to a schedule, developed by that department, in order to ensure that necessary documentation for all drivers is current and complete.

Status of Prior Audit Findings and Observations

Our prior audit of the Southern Lehigh School District (SLSD) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to vendor access to student accounting applications. 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 SLSD Superintendent's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the SLSD did implement recommendations numbers 1, 3, and 4, related to student accounting applications. Recommendation number 2 was implemented, only in part. Also noted, the District is no longer under contract with the vendor this observation cited; however, the prior recommendations, that have been implemented, have also been implemented for the current vendor under contract.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Observation: Unmonitored IU System Access and Logical Access Control Weaknesses

Observation Summary:

Our prior audit found that the SLSD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's software servers.

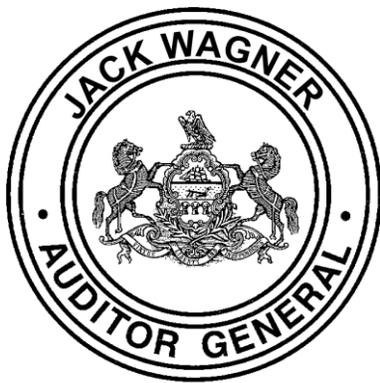
Recommendations: Our audit observation recommended that the SLSD:

1. Establish separate information technology policies and procedures for controlling the activities of the intermediate unit (IU) and have the IU sign this policy, or the District should require the IU to sign the District's Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the IU, to change their passwords on a regular basis (i.e., every 30 days); passwords should include alpha, numeric and special characters; maintain a password history that will prevent the use of repetitive password (i.e., last ten passwords); and lock out users after three unsuccessful attempts.
3. Only allow access to their system when the IU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the IU has completed its work. This procedure would also enable the monitoring of IU changes.

4. Generate monitoring reports (including firewall logs) of IU 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 and review.

Current Status:

During our current audit procedures we found that the SLSD did implement recommendation numbers one, three and four. Recommendation number two was implemented, only in part. The District does not change their passwords every 30 days, maintain a password history of ten passwords, or lock out users after three unsuccessful attempts. However, their passwords do include alpha, numeric and special characters.



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 Tom Corbett
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
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