



**SOUTHMORELAND SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

SEPTEMBER 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. Levi Miller, Board President
Southmoreland School District
609 Parker Avenue
Scottsdale, Pennsylvania 15683

Dear Governor Corbett and Mr. Miller:

We conducted a performance audit of the Southmoreland School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period August 30, 2010 through March 19, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the District complied, in all significant respects, with 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 the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

September 13, 2013

cc: **SOUTHMORELAND SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Southmoreland 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 August 30, 2010 through March 19, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 43 square miles. According to 2010 federal census data, it serves a resident population of 15,119. According to District officials, the District provided basic educational services to 2,092 pupils through the employment of 146 teachers, 100 full-time and part-time support personnel, and 11 administrators during the 2009-10 school year. Lastly, the District received \$13.4 million in 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: Memorandum of Understanding with Local Law Enforcement Not Updated Timely. Our audit found that the Memorandum of Understanding between the Southmoreland School District and the local law enforcement agency had not been updated timely (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Southmoreland School District (District) from an audit released on January 21, 2011, we found that the District had taken partial corrective action in implementing our recommendations pertaining to internal control weaknesses over remote access to the student accounting system (see page 7). However, the District had not yet taken corrective action in implementing our recommendations pertaining to ensuring its Memorandum of Understanding was updated timely (see page 8).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period August 30, 2010 through March 19, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2012 through March 1, 2013.

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 have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ 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?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with 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, 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 pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Memorandum of Understanding with Local Law Enforcement Not Updated Timely

Criteria relevant to the finding:

Section 1303-A(c) of the Public School Code (PSC), 24 P.S. § 13-1303-A(c), amended November 17, 2010, with an effective date of February 15, 2011, provides, in part:

“ . . . each chief school administrator **shall enter** into a memorandum of understanding [MOU] with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. The memorandum of understanding shall be signed by the chief school administrator, the chief of police of the police department with jurisdiction over the relevant school property and principals of each school building of the school entity. . . .”

The “office” refers to the Office for Safe Schools established within the Pennsylvania Department of Education through Section 1302-A(a) of the PSC, 24 P.S. § 13-1302-A(a). The term “biennially” means an event that occurs every two years.

Prior to the effective date of the above referenced enactment of the MOU requirements, all public schools were required to **develop** a MOU with local law enforcement.

Our audit found that the Memorandum of Understanding (MOU) between the Southmoreland School District (District) and the local law enforcement agency had not been updated since September 4, 1998. The Public School Code requires that public schools update and re-execute MOUs with local law enforcement agencies that have jurisdiction over school property every two years. The purpose of the agreement is to set forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property.

The failure to update the MOUs with all pertinent local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and the agencies if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

As a result of our audit, the District updated the MOU with the local police department on March 18, 2013.

Recommendations

The *Southmoreland School District* should:

1. In consultation with the District’s solicitor, immediately review new requirements for MOUs and other school safety issues under the Public School Code to ensure compliance with amended safe schools provisions enacted November 17, 2010. The District should make any necessary changes to come into complete compliance with these provisions.
2. Adopt an official Board of School Directors’ policy requiring the District’s administration to biennially update and re-execute all MOUs with local law enforcement agencies having jurisdiction over school property and to file a copy with the Pennsylvania Department of Education’s Office of Safe Schools on a biennial basis, as required by law.

Management Response

Management provided a response during fieldwork for our audit that stated the following:

“Management has obtained an updated MOU with the state police regularly as required. Management has repeatedly requested a signed MOU from the municipal police department, but to no avail. Management will continue, as it has for the past several years, to [attempt to] obtain a signed MOU from the municipal police department.”

Auditor Conclusion

As stated in the body of this finding, the District obtained a signed MOU on March 18, 2013, subsequent to the preparation of management’s response. We will follow-up on our recommendations during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Southmoreland School District (District) released on January 21, 2011, resulted in one finding and one observation. The finding pertained to internal control weaknesses over remote access to student accounting system, and the observation pertained to a Memorandum of Understanding that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did partially implement our recommendations related to internal control weakness over remote access to student accounting system but not those related to its Memorandum of Understanding not being updated timely.

Auditor General Performance Audit Report Released on January 21, 2011

Finding: **Internal Control Weaknesses over Remote Access to Student Accounting System**

Finding 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 evidence that it was adequately monitoring vendor activity in its system.

Recommendations: Our audit finding recommended that the District:

1. Require the vendor to assign unique userIDs and passwords to its employees who are authorized to access the District's system.
2. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
3. Develop and maintain a written information technology (IT) security policy and ensure that all employees, including those of the vendor, are aware of this policy.
4. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the server and to ensure warranty coverage. Specifically, the District should install fire detection/fire suppression equipment in the computer room.

5. Require that users be locked out after three unsuccessful attempts to log in.
6. Store back-up tapes in a secure, off-site location.
7. Implement compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner, in order to mitigate IT control weaknesses.

Current Status:

During our current audit, we found that the District implemented the following recommendations:

1. The individual vendor employee must e-mail the District to request access to the District's files. As soon as the vendor employee completes his work, he must send an e-mail to the District so that access can be cut to its files. All activities by the vendor employee can be monitored and recorded in logs.
2. The District's practice is for the Superintendent to notify the IT Director of changes in writing.
3. The District has created a written IT policy.
4. The District has installed a fire detection/fire suppression system.

We recommend that the District consider implementing the remaining recommendations.

Observation:

The Memorandum of Understanding Not Updated Timely

Observation
Summary:

Our audit found that the Memorandum of Understanding (MOU) between the District and the local law enforcement agencies with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property had not been updated since September 4, 1998.

Recommendations:

Our audit recommended that the District:

1. Continue its efforts to review, update, and re-execute the current MOU between the District and the local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

3. Resolve any issues the local borough has with the proposed MOU and emphasize to the borough the importance of having a signed, current MOU on file.

Current Status:

During our current audit, we found that the District had not implemented our recommendations. One of the two MOUs had still not been updated. On March 18, 2013, the District obtained the MOU from its local law enforcement agency. However, this was over 20 months after the required due date (see Finding on page 5).

Distribution List

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

The Honorable Tom Corbett
Governor
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The Honorable Carolyn Dumaesq
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.