

UPPER DUBLIN SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH OBSERVATIONS, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS
THROUGH JULY 31, 2007



UPPER DUBLIN SCHOOL DISTRICT
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PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
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UPPER DUBLIN SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Upper Dublin 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 Upper Dublin 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 Upper Dublin School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Upper Dublin 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 Upper Dublin 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 finding and recommendations contained in our prior audit report. However, we did identify certain other weaknesses, as noted in the following observations and further discussed in the Conclusions section of this report.

Objective No. 1

Observation No. 1 – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation No. 2 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

We believe that our recommendations, if implemented by the district, will improve the internal control weakness identified.

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,

July 31, 2007, except for
Observation No. 2, for which the
date was October 25, 2007

/s/
JACK WAGNER
Auditor General

UPPER DUBLIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Upper Dublin School District is located in Montgomery County and encompasses an area of approximately 12 square miles. The school district has a population of 26,608, according to a 2000 local census. The administrative offices are located at 1580 Fort Washington Avenue, Maple Glen, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 4,414 pupils through the employment of 38 administrators, 334 teachers, and 224 full-time and part-time support personnel. Special education was provided by the district and the Montgomery County Intermediate Unit #23. Occupational training and adult education in various vocational and technical fields were provided by the district and the Eastern Center for Arts and Technology.

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 13 through 15 of this report for a listing of the state revenue the district received during the 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.

UPPER DUBLIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Upper Dublin 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 Upper Dublin School District took appropriate corrective action to address the finding 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.

UPPER DUBLIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Upper Dublin 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 Upper Dublin School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. However, our audit did reveal internal control weaknesses, as detailed in the following observations. The observations and recommendations were reviewed with representatives of the Upper Dublin School District and their comments have been included in this report.

Observation No. 1 – 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.¹

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.²

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.

¹ 24 P.S. § 1-111.

² 23 Pa.C.S. § 6355.

UPPER DUBLIN SCHOOL DISTRICT
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Observation No. 1 (Continued)

Our review of the personnel records for the 37 bus drivers currently employed by the Upper Dublin School District disclosed that these individuals possessed the minimum requirements to be employed as bus drivers and that the Upper Dublin 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 Upper Dublin School District from hiring any of the drivers. Therefore, we concluded that the Upper Dublin 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, the district does not 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.

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.

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Observation No. 1 (Continued)

Response of Management

Management provided the following written response agreeing with the observation:

The District obtains Motor Vehicle Records (MVR) from the Pennsylvania Department of Transportation for newly hired bus drivers at the time of their hire, and for all drivers annually in August. The MVRs are reviewed to determine if there are any violations or suspensions against our employees' licenses.

It would be a great advantage to the 501 school districts in Pennsylvania if the State Legislators would pass legislation that would mandate annual background checks for bus drivers and other school employees as well. Like Upper Dublin, many school districts are functioning under the constraints of collective bargaining agreements and in the negotiations process, it would be necessary to grant a concession in order to obtain contract language that would permit the annual background checks.

Auditor's Conclusion

The annual review of MVRs noted in management's response is commendable. Our observation recommends that the district take additional steps beyond those mandated by legislation and include a periodic review of current employees' criminal history record information and child abuse clearance statements, so that crimes beyond those that would be revealed on the MVRs can also be considered.

Observation No. 2 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Upper Dublin School District 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 network servers.

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. However, since the district has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database that risk is mitigated.

UPPER DUBLIN SCHOOL DISTRICT
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Observation No. 2 (Continued)

Reliance on manual compensating controls becomes increasingly problematic if the district would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. 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 as of October 25, 2007, over vendor access to the district's system:

- the district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system;
- the vendor uses a group userID rather than requiring that each employee has a unique userID and password;
- the district does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;
- the district does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy does not include provisions for authentication (e.g., password security and syntax requirements); and
- 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 vendor, 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); and to lock out users after three unsuccessful attempts.

UPPER DUBLIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation No. 2 (Continued)

Recommendations

We recommend the district implement the following to correct vulnerabilities identified in this observation:

- the district should generate monitoring reports (including firewall logs) of the vendor 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;
- the district should require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the district system. Further, the district should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives;
- the district should maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner;
- the district should establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements); and
- the district should implement a security policy and system parameter settings to require all users, including the vendor, 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), and lock out users after three unsuccessful attempts.

UPPER DUBLIN SCHOOL DISTRICT
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Observation No. 2 (Continued)

Response of Management

Management provided the following response to our observation:

Management is in agreement with the following observation:

- The district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.
- The district does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the district's Acceptable Use Policy.
- The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
- 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 vendor, 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); and to lock out users after three unsuccessful attempts.

Corrective Action: The district will request the vendor to assign unique IDs to its employees and submit quarterly access logs. The district will request the vendor to integrate password expiration functionality within the student information system.

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CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Upper Dublin School District took appropriate corrective action to address the finding 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 this finding, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding the prior years' finding and recommendations.

Finding – Certification Irregularity

Our prior audit of the professional employees' certificates and assignments for the period July 1, 2000 through September 9, 2003, was made to determine compliance with the Public School Code, and the Bureau of Teacher Certification and Preparation (BTCP), Department of Education's (DE) Certification and Staffing Policies and Guidelines. Our review found that one supervisor served with a lapsed certificate for three years from September of 2000 to August of 2003. The supervisor applied for permanent certification to BTCP as of August 21, 2003.

We recommended that the board require the superintendent to strengthen procedures to help ensure that:

- the term of validity of all administrators and teachers provisional certificates are accurately determined; and
- all professional employees' have their certificates made permanent before the date of expiration.

We also recommended that DE recover the subsidy forfeitures of \$15,300.

DE deducted \$15,300 from the district's April 2004 basic education funding payment to assess the subsidy forfeitures.

Our current audit found that the supervisor obtained permanent certification in October of 2003. Furthermore, our current audit did not find any certification irregularities.

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



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SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$6,956,280, \$6,678,650, \$6,541,219 and \$6,112,830, 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	\$2,313,198	\$2,270,476	\$2,227,497	\$2,187,487
Charter Schools	4,481	3,529	4,400	4,459
School Performance Incentives	-	-	-	50,688
Tuition for Orphans and Children				
Placed in Private Homes	126,208	84,137	110,978	122,347
Homebound Instruction	122	162	197	75
Alternative Education	7,147	14,635	6,373	-
Special Education	1,766,366	1,767,506	1,797,574	1,703,691
Transportation	647,965	625,300	635,068	650,750
Rental and Sinking Fund Payments	71,395	61,665	147,909	115,612
Health Services	101,836	101,112	102,556	103,193
Social Security and Medicare Taxes	1,139,049	1,066,799	1,009,795	987,990
Retirement	682,638	589,113	498,547	164,806
Other Program Subsidies/Grants:				
PA Accountability	95,875	94,216	-	
Federal Emergency Management Agency	-	-	325	
Project Storm	-	-	-	16,732
Rock Climbing	-	-	-	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL STATE REVENUE</u>	<u>\$6,956,280</u>	<u>\$6,678,650</u>	<u>\$6,541,219</u>	<u>\$6,112,830</u>

UPPER DUBLIN 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.

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.

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.

Special Education

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

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SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

Social Security and Medicare Taxes

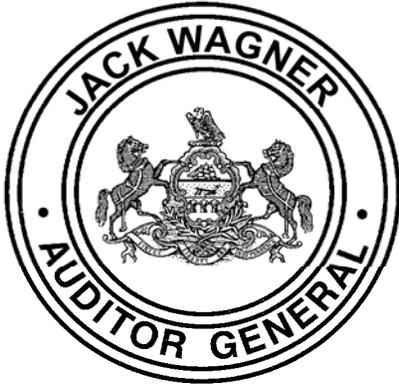
Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

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:

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Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.
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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.