

PERFORMANCE AUDIT

Ligonier Valley School District Westmoreland County, Pennsylvania

September 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Bruce Robinson, Board President
Ligonier Valley School District
339 West Main Street
Ligonier, Pennsylvania 15658

Dear Governor Corbett and Mr. Robinson:

We conducted a performance audit of the Ligonier Valley School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period April 21, 2011 through April 7, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. 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 relevant 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 11, 2014

cc: **LIGONIER VALLEY SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Status of Prior Audit Findings and Observations	6
Distribution List	9

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Ligonier Valley School District (District) in Westmoreland County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, 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 April 21, 2011 through April 7, 2014, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 231 square miles. According to 2010 federal census data, it serves a resident population of 16,184. According to District officials, the District provided basic educational services to 1,681 pupils through the employment of 128 teachers, fourteen (14) full-time and part-time support personnel, and eight (8) administrators during the 2011-12 school year. The District received \$9.5 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the Ligonier Valley School District (District) from an audit released on November 21, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to two (2) local law enforcement agencies' failure to provide the District with an updated Memorandum of Understanding and unmonitored vendor system access and logical access control weaknesses (see page 6).

In addition, with regard to the status of a prior investigation conducted by the Department of the Auditor General's Office of Special Investigations, released on July 19, 2012, we found that the District had taken appropriate corrective action in implementing the recommendations contained in the report relating to engaging the services of an educational consultant without presenting a formal contract to the District's Board of School Directors for approval (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 April 21, 2011 through April 7, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 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 certain relevant state laws, regulations, 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:

- ✓ In areas where the District received state subsidies and reimbursements based on PDE calculated Aid Ratios (e.g. rental reimbursements), did it follow applicable laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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?

- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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 certain relevant state laws, regulations, 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). 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 relevant requirements 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 controls 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.

To determine the status of our audit recommendations made in a prior audit report released on November 21, 2011, and the Office of Special Investigations' report released on July 19, 2012, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Ligonier Valley School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Ligonier Valley School District (District) released on November 21, 2011, resulted in two (2) findings, as shown below. The first finding pertained to two (2) local law enforcement agencies failing to update Memoranda of Understanding with the District, and the second finding pertained to unmonitored vendor system access and logical access control weaknesses. Additionally, the Department of the Auditor General's Office of Special Investigations' (OSI) report, released on July 19, 2012, contained one (1) finding pertaining to the District engaging the services of an educational consultant without presenting a formal contract to the Board of School Directors for approval. As part of our current audit, we determined the status of corrective action taken by the District to implement the prior recommendations. We performed audit procedures and interviewed District personnel regarding the prior findings. We found that the District did implement our recommendations related to the three (3) findings.

Auditor General Performance Audit Report Released on November 21, 2011

Finding No. 1: **Local Law Enforcement Agencies of Two Local Municipalities Failed to Provide the District with Updated Memoranda of Understanding**

Finding Summary: Our prior audit of the District found that the Memoranda of Understanding (MOU) between the District and two (2) local law enforcement agencies were not updated since 1998. This issue was also discussed in three (3) previous audits.

Recommendations: Our audit finding recommended that the District should:

1. In consultation with the District solicitor, attempt to again work with the solicitors of the municipalities to update the MOUs.
2. Review, update, and re-execute the MOUs between the District and all law enforcement agencies every two (2) years.

Current Status: During our current audit, we found that the District did implement our prior recommendations.

Finding No. 2: **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Finding Summary: Our prior audit 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 it was adequately monitoring all vendor activity in its system and that no formal reconciliations between manual records and computerized records was performed for membership and attendance.

Recommendations:

Our audit finding recommended that the District should:

1. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its 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. Allow access to its system only when the vendor needs to 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.
3. Include in the contract with the vendor a non-disclosure agreement for the District's proprietary information.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Include provisions in the District's Acceptable Use Policy for authentication (password security and syntax requirements).
6. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight (8) characters. In addition, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten (10) passwords) and lock out users after three (3) unsuccessful attempts.
7. Establish manual compensating controls to verify the integrity of the membership and attendance information in its database.

Current Status:

During our current audit, we found that the District did implement our prior recommendations.

**Department of the Auditor General, Office of Special Investigations' (OSI) Report
Released on July 19, 2012**

Finding: **In August 2008, the Superintendent of the Ligonier Valley School District engaged the services of an educational consultant without presenting a formal contract to the School Board for approval, and during the 2008-09 school year, the District issued checks in payment of seven (7) invoices submitted by the consultant for serviced rendered totaling \$45,012**

Finding Summary: The prior OSI report determined that the District had no formal written contract submitted for the Board of School Directors' approval prior to the rendering of the services as required by the Public School Code. As a result, seven (7) payments were made to the vendor, totaling \$45,012, for which no formal contract existed or was approved by the Board.

Recommendations: The OSI audit finding recommended that the District should:

1. Review all existing District contracts to determine whether Commonwealth and District requirements relating to competitive selection and Board authorization and approval have been met.
2. In cases where the requirements were not met, take appropriate legal or disciplinary action against the persons responsible.
3. Refer contracts and agreements that were not authorized or approved as required by law to the District's Solicitor with instructions to pursue recovery of any District funds that were improperly disbursed.
4. Require that a list of contracts and agreements entered into during each calendar month be prepared and submitted as part of the financial information presented to the Board at regular monthly meetings, together with copies of the relevant documents, and require that such lists be made part of the minutes of board meetings.
5. Ensure that all staff members with duties related to contracting and purchasing is aware of the requirements of the Public School Code relating to competitive selection and Board authorization and approval.

Current Status: During our current audit, we found that the District did implement the prior recommendations of the OSI report.

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
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
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. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania 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

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.