



ABINGTON HEIGHTS SCHOOL  
DISTRICT

LACKAWANNA COUNTY,  
PENNSYLVANIA

PERFORMANCE AUDIT REPORT

APRIL 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

DEPARTMENT OF THE 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

Ms. Cathy Hardaway, Board President  
Abington Heights School District  
200 East Grove Street  
Clarks Summit, Pennsylvania 18411

Dear Governor Corbett and Ms. Hardaway:

We conducted a performance audit of the Abington Heights School District (AHSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period August 17, 2010, through December 5, 2012, 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 AHSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, we identified one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with AHSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve AHSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the AHSD's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

April 3, 2013

cc: ABINGTON HEIGHTS SCHOOL DISTRICT Board Members



## **Table of Contents**

---

---

	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Finding – Error in Reporting Pupil Membership Data Resulted in a Net Underpayment of \$20,450 .....	6
Status of Prior Audit Findings and Observations .....	9
Distribution List .....	11



## **Executive Summary**

---

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Abington Heights School District (AHSD). 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 AHSD in response to our prior audit recommendations.

Our audit scope covered the period August 17, 2010, through December 5, 2012, 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 2008-09 and 2009-10.

### **District Background**

The AHSD encompasses approximately 69 square miles. According to 2010 federal census data, it serves a resident population of 23,623. According to District officials, in school year 2009-10 the AHSD provided basic educational services to 3,641 pupils through the employment of 271 teachers, 187 full-time and part-time support personnel, and 26 administrators. Lastly, the AHSD received more than \$11.1 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the AHSD 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: Error in Reporting Pupil Membership Data Resulted in a Net Underpayment of \$20,450.** Our audit of the AHSD's pupil membership reports submitted to the Pennsylvania Department of Education for the 2009-10 school year found reporting errors as well as a lack of internal controls. AHSD personnel inaccurately reported membership for vocational education, intermediate unit, and children placed in private homes (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the AHSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the AHSD did take appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 9).





## 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 Pennsylvania 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 August 17, 2010, through December 5, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2012, through September 4, 2012.

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 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 AHSD'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 subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they 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 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 does the current employment contract contain adequate termination provisions?
- ✓ 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?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

## **Methodology**

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

AHSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the AHSD is in compliance with

*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.

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.

In conducting our audit, we obtained an understanding of the District's internal controls, including any IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements 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/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 23, 2010, we reviewed the AHSD's response to PDE dated January 18, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

---

---

### Finding →

### **Error in Reporting Pupil Membership Data Resulted in a Net Underpayment of \$20,450**

*Criteria relevant to the finding:*

According to PDE's 2009-10 *PIMS User Manual*, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Our audit of the Abington Heights School District (AHSD) pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors as well as a lack of internal controls. AHSD personnel inaccurately reported the membership for vocational education, intermediate unit and children placed in private homes. The lack of internal controls resulted in the AHSD failing to reconcile preliminary data reports from PDE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days reported for vocational education students during the 2009-10 school year were overstated by 2,993 aggregate days membership for the portion of time the students were educated at the AHSD. This resulted in a 16.450 overstatement of secondary average daily membership (ADM).

Membership days reported for intermediate unit students during the 2009-10 school year were understated by 242 aggregate days membership for the portion of time the students were educated at the AHSD. This resulted in a 1.460 understatement of elementary ADMs.

Membership days for children placed in private homes were understated 139 days for half time kindergarten, 265 days for elementary, and 80 days for secondary. This resulted in the AHSD being underpaid \$20,450.

AHSD personnel failed to reconcile final reports submitted to PDE with AHSD records. Also, AHSD personnel misunderstood the PIMS guidelines which caused reporting errors.

PDE has been provided a report detailing the errors for use in recalculating the AHSD's reimbursement.

## **Recommendations**

The *Abington Heights School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Strengthen controls to ensure pupil membership is reported in accordance with PDE guidelines and instructions.
3. Implement controls to verify actual membership days to computer generated reports.
4. Perform an internal review of membership reports and summaries prior to submission of final reports to PDE.
5. Review subsequent year reports and if errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

6. Revise all reports that have been incorrectly completed and adjust AHSD reimbursements affected by the error.

## **Management Response**

Management stated the following:

The error occurred when a 1305 student was enrolled in the Abington Heights School District; the secretaries entered the student into the Resident District, but were not changing the District Funding Code back to the AHSD.

Our software automatically populates the District Funding Code when they enter the resident district. So unless the District Funding Code is manually changed, it will remain the corresponding code to the Resident District Code.

The corrective action plan is to inform the secretaries of the way the software works when it comes to automatically populating the District Funding Code when the resident district is entered, and determining that the AHSD is the Funding District code for the 1305 Students.

Another problem occurred when students who go to the IU for only part of the day were not reported by the district. The district should have reported any amount of time that the student did not attend the IU.

The corrective action plan is to calculate the amount of time that the student is enrolled in the IU and the amount of time the student is enrolled at the district, and enter that amount of time in the student's ADM.

Students enrolled in Vo-Tech are there for only the morning or only the afternoon, not a full day. Therefore, they should only be reported as 50% ADM. However when a student is entered in our software, it automatically populates them to have 50% ADM AM and 50% ADM PM. So unless the morning or afternoon ADM is removed, the Vo-Tech student was incorrectly reported as being enrolled in the district for a full day.

The corrective action plan is to have a review with the secretaries at the high school to make them aware that they must remove either the morning or the afternoon ADM, depending on when the student attends VO-Tech.

## **Status of Prior Audit Findings and Observations**

---

---

Our prior audit of the Abington Heights School District (AHSD) for the school years 2007-08 and 2006-07 resulted in one reported observation pertaining to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the AHSD to implement our prior recommendations. We analyzed the AHSD Superintendent's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned AHSD personnel regarding the prior observation. As shown below, we found that the AHSD did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

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

---

**Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation

Summary:

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

Recommendations: Our prior audit observation recommended that the AHSD:

1. Require all employees to sign the Acceptable Use Policy.
2. Establish separate information technology policies and procedures for controlling the activities of the vendors and have the vendor sign this policy, and the AHSD should require the vendor to sign the AHSD's Acceptable Use Policy.
3. 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 that are a minimum length of eight characters; and passwords should use include alpha, numeric and special characters; also, the AHSD should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).

4. Generate monitoring reports (including firewall logs) of vendor 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 AHSD should review these reports to determine that the access was appropriate and that data was not improperly altered. The AHSD should also ensure it is maintaining evidence to support this monitoring and review.

Current Status:

During our current audit procedures, we found that the AHSD did implement all four recommendations.



## **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](http://www.auditorgen.state.pa.us), and the following:

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

The Honorable Ronald J. Tomalis  
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. Nichole Duffy  
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. Tom Templeton  
Assistant Executive Director  
School Board and Management Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

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, 231 Finance Building, Harrisburg, PA 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](http://www.auditorgen.state.pa.us).

