

BIG SPRING SCHOOL DISTRICT
CUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Wilbur Wolf, Jr., Board President
Big Spring School District
45 Mount Rock Road
Newville, Pennsylvania 17241

Dear Governor Rendell and Mr. Wolf:

We conducted a performance audit of the Big Spring School District (BSSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 21, 2007 through June 11, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 BSSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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 BSSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BSSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BSSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 24, 2010

cc: **BIG SPRING SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Certification Deficiencies	6
Status of Prior Audit Findings and Observations	9
Distribution List	13



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Big Spring School District (BSSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the BSSD in response to our prior audit recommendations.

Our audit scope covered the period December 21, 2007 through June 11, 2010, 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 2007-08 and 2006-07.

District Background

The BSSD encompasses approximately 198 square miles. According to 2008 local census data it serves a resident population of 18,665. According to District officials, in school year 2007-08 the BSSD provided basic educational services to 3,082 pupils through the employment of 257 teachers, 175 full-time and part-time support personnel, and 18 administrators. Lastly, the BSSD received more than \$15.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the BSSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Certification Deficiencies. Our audit of professional employees' certification for the period December 13, 2007 through May 26, 2010, found four individuals taught learning support without the appropriate certification during the period of review (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the BSSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the BSSD had taken partial corrective action in implementing our recommendations pertaining to certification deficiencies (see page 9) and Statements of Financial Interests (see page 10). In addition, the BSSD did take appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 10).



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 21, 2007 through June 11, 2010, except for the verification of professional employee certification which was performed for the period December 13, 2007 through May 26, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the BSSD's compliance with applicable 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do 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 which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

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, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BSSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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.

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 and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 21, 2009, we reviewed the BSSD's response to DE dated October 19, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the Public School Code provides, in part:

Any school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Certification Deficiencies

Our audit of professional employees' certification for the period December 13, 2007 through May 26, 2010, found four individuals were assigned to the position of learning support without the appropriate certification during our period of review. Two of these certification deficiencies were continuations from our prior audit (see page 9). The deficiencies were as follows:

- One individual taught from September 2008 to the end of our period of audit without required special education certification. The District provided us with copies of applications for special education emergency certification for the 2008-09 and 2009-10 school years; however, the individual never received her emergency certification and our contact with the Bureau of School Leadership Teacher Certification (BSLTQ), Department of Education (DE), found that BSLTQ had no record of receiving this individual's applications.
- A second individual taught from February 2009 to the end of our period of audit without special education certification. The District provided us with copies of applications for special education emergency certification for the 2008-09 and 2009-10 school years; however, the individual never received her emergency certification, and our contact with BSLTQ again found that BSLTQ had no record of receiving this individual's applications.
- A third individual taught from September 2008 through November 2008 prior to receiving special education certification in December 2008.
- A fourth individual taught during September 2007 without special education certification prior to resigning from the District in October 2007.

Information pertaining to the possible deficiencies was submitted to BSLTQ for its review. BSLTQ subsequently confirmed the deficiencies; therefore, the District is subject to subsidy forfeitures of \$4,716 and \$290 for the 2008-09

and 2007-08 school years, respectively. The subsidy forfeiture for the 2009-10 school year could not be computed since the required aid ratio was not yet available at the time of our audit.

District personnel noted that on occasion emergency certification applications were submitted to BSLTQ without all the required information (for example, transcripts); after the required documentation was received, it was submitted to BSLTQ to complete the application process. District personnel noted various correspondences did occur between the District and BSLTQ; however, despite these attempts, the individuals identified in this finding did not receive emergency certification in a timely manner.

District personnel informed us that, although the superintendent attended several certification trainings, the superintendent's secretary, who submits emergency certification applications to BSLTQ, did not.

Recommendations

The *Big Spring School District* should:

1. Ensure all individuals obtain the proper certification prior to employment and/or reassignment.
2. Ensure all applications for certification contain all the required documentation prior to submission to BSLTQ for review and approval.
3. Contact BSLTQ to review the application process to ensure the District is submitting all required documents for the type of certification being applied for.
4. Ensure that all staff members involved with the certification function are properly trained in the requirements set forth by BSLTQ.

The *Department of Education* should:

5. Take action to recover the appropriate subsidy forfeitures based on BSLTQ's final review.

Management Response

Management stated the following:

2007-08

The District concurs with the finding from 2007-2008 on [the cited individual]. Said employee was unable to fulfill the nine (9) credits necessary for the emergency certification and thus resigned.

2008-09

The District concurs that there are no finalized applications in the personnel files of [two individuals]. The district does have confirmation that we sent the applications on time to PDE, we followed up with a call in October of 2008 and a staff member confirmed receipt of the applications. We never received final confirmation of approval – [Management] disagree[s] with the finding on these two individuals. [Another individual] received her Master's degree in 2008 and was tardy in mailing her information to PDE, [management] concur[s] with that finding.

2009-2010

The District again concurs that there are no finalized applications in the personnel file for [two individuals]. Even more blatant this year though was our attempt to rectify this situation throughout the year. The applications were mailed August 31, 2009. One application got final approval, the other two were never received by the District. The District made contact six successive months. In the only direct conversation with a PDE staff member we were informed that they were very short staffed and doing the best they could to process applications. We did receive one return call in April, when we returned that call it again went to the generic teacher certification phone mail. [Management] vehemently disagree[s] with the findings for [both individuals cited] for the 2009-2010 audit period.

Auditor Conclusion

Management's response was provided to us prior to BSLTQ's final audit review. Any remaining disagreements must be addressed to DE. The finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Big Spring School District (BSSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two reported findings and one observation. The first finding pertained to certification deficiencies and the second finding pertained to Statements of Financial Interests. The observation pertained 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 District to implement our prior recommendations. We analyzed the BSSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the BSSD partially implemented recommendations related to the certification and Statement of Financial Interests findings. In addition, the District did implement recommendations related to the unmonitored vendor system access and logical access control weaknesses observation.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Certification Deficiencies</i></u></p> <ol style="list-style-type: none"> 1. Ensure individuals requiring emergency certification apply for and receive certification in a timely manner. 2. Ensure staff involved with the certification function is properly trained in the requirements set forth by the DE and the Bureau of School Leadership and Teacher Quality, DE. 3. DE should take action to recover the appropriate subsidy forfeitures. 	<p>Background:</p> <p>Our prior audit of professional employees' certification for the period from January 11, 2005 through December 12, 2007 and found seven individuals with certification deficiencies.</p>	<p>Current Status:</p> <p>Our current audit found two of the previously cited individuals did not obtain proper certification (see page 6). The other five individuals either obtained proper certification, were reassigned to a position for which they were properly certified, or resigned.</p> <p>DE recovered subsidy forfeitures of \$4,302 from the District's December 31, 2009 basic education funding payment.</p>

<p><u>II. Finding No. 2: Board Member Failed to File Statement of Financial Interests According to Provisions of the Public Official and Employee Ethics Act</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District’s solicitor in regard to its responsibility when an elected board member fails to file a Statement of Financial Interests (SFI). 2. Continue to develop procedures to ensure that all individuals required to file SFIs do so in compliance with the Ethics Act. 	<p>Background:</p> <p>Our prior audit found that one board member failed to file a SFI for the 2006 calendar year.</p>	<p>Current Status:</p> <p>Our current audit found that BSSD implemented our recommendations. All board members filed their SFI’s for the 2009, 2008 and 2007 calendar years. However, four individuals filed late in 2008 and two individuals filed late in 2007.</p> <p>We recommend the District continue to strengthen its new procedures to ensure that all board members file complete and timely SFIs.</p>
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<p><u>III. Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of Capital Area Intermediate Unit #15 (CAIU) 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. 2. Have the contract with the CAIU reviewed by legal counsel. 	<p>Background:</p> <p>Our prior audit found that the BSSD used software purchased from an outside vendor for its critical student accounting applications. The software vendor has remote access into the District’s network servers.</p> <p>We determined that a risk existed that unauthorized changes to the District’s data could occur and not be detected because the District was not able to provide supporting evidence that it was adequately monitored vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that BSSD implemented our recommendations, except for No. 8.</p> <p>The District is currently switching from one vendor platform to another vendor platform. This will allow the District to use a single userID/password for all types of network access. This change in platforms is scheduled to be completed prior to the start of the 2010-11 school year. At the time of our audit, the password history was not set due to the platform changes. Once the new platform is established, the password history will be set to 90 days. The system will also lock out users, disable the users’ internet protocol address and notify the network administrator after five failed login attempts, and automatically log off users after 30 minutes of inactivity.</p>
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<p>3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>4. Maintain evidence of written authorization when adding, deleting, or changing a userID.</p> <p>5. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.</p> <p>6. Include provisions in the District's Acceptable Use Policy for authentication (e.g., password security and syntax requirements).</p> <p>7. Encrypt the District's remote connections.</p> <p>8. Implement a security policy and system parameter settings to require all users, including the CAIU, 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), lock out users after three unsuccessful attempts, and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p>		
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<p>9. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should install fire detectors and fire extinguishers in the computer room.</p>		
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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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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, 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.

