

BLOOMSBURG AREA SCHOOL DISTRICT
COLUMBIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

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

Mr. Thomas Tobin, Board President
Bloomsburg Area School District
728 East 5th Street
Bloomsburg, Pennsylvania 17815

Dear Governor Rendell and Mr. Tobin:

We conducted a performance audit of the Bloomsburg Area School District (BASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period August 22, 2008 through February 2, 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 BASD 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 these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

September 3, 2010

cc: **BLOOMSBURG AREA SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Bloomsburg Area School District (BASD). 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 BASD in response to our prior audit recommendations.

Our audit scope covered the period August 22, 2008 through February 2, 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 BASD encompasses approximately 81 square miles. According to 2000 federal census data, it serves a resident population of 17,860. According to District officials, in school year 2007-08 the BASD provided basic educational services to 1,838 pupils through the employment of 143 teachers, 108 full-time and part-time support personnel, and 6 administrators. Lastly, the BASD received more than \$7.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the BASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Possible Certification

Deficiency. Our audit of the professional employers' certification and assignments identified one professional employee may have had a lapsed teaching certificate resulting in a possible subsidy forfeiture for BASD (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the BASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the BASD had taken appropriate corrective action in implementing our recommendations pertaining to their student accounting applications (see page 8) and the Memorandum of Understanding (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 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 August 22, 2008 through February 2, 2010, except for the verification of professional employee certification which was performed for the period July 25, 2008 through January 14, 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 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 BASD'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?
- ✓ 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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ 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 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

BASD 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, pupil membership, 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2009, we 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 (PSC) provides, in part:

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

Section 1212 of the PSC provides, in part:

Every district superintendent shall keep an accurate record of all valid certificates held by the teachers of the schools within his jurisdiction.

Section 2518 of the PSC mandates any school district 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.

Possible Certification Deficiency

Our audit of professional employees' certification and assignments for the period July 25, 2008 through January 14, 2010, was conducted to determine compliance with the PSC, the Bureau of School Leadership and Teacher Quality (BSLTQ), and the Department of Education's (DE) Certification and Staffing Policies and Guidelines. Our audit found that one professional employee may not have had the proper certification for their teaching assignment. The individual in question is an elementary teacher who may have been teaching with a lapsed certificate for the second semester of the 2008-09 school year and one month of the 2009-10 school year.

Certification deficiencies are not determined by this department. Information pertaining to the questionable assignment was submitted to the BSLTQ, DE, for its review. If BSLTQ confirms the deficiency, the District would be subject to subsidy forfeiture for the 2008-09 school year of \$1,441. The aid ratio was not available to calculate the subsidy forfeiture for the 2009-10 school year.

Recommendations

The *Bloomsburg Area School District* should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

The *Department of Education* should:

3. In conjunction with BSLTQ's determination adjust the District's allocations to recover any subsidy forfeitures deemed necessary.

Management Response

Management stated the following:

The educator failed to apply for Level II certification in a timely manner. The educator thought long term subbing didn't count. Corrective action is to input dates into personnel system so we can run reports and be proactive. The responsibility of certification lies with the educator, however, this certification checks and balances will prevent future lapsed certificates.

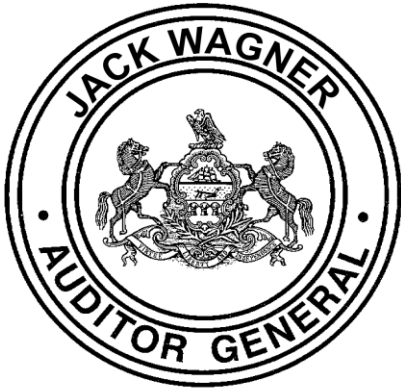
Status of Prior Audit Findings and Observations

Our prior audit of the Bloomsburg Area School District (BASD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to their student accounting applications and the second observation pertained to their Memorandum of Understanding (MOU). As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the BASD did implement recommendations related to their student accounting applications and their MOU.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Establish separate information technology 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. 2. 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); lockout users after three unsuccessful attempts. 3. Generate monitoring 	<p>Background:</p> <p>Our prior audit of the BASD 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.</p>	<p>Current Status:</p> <p>We followed up on the BASD student accounting applications and found that the BASD did take corrective action to address all of our prior audit recommendations.</p>

<p>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 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.</p> <p>4. The upgrades/updates to the District's system should be made only after receipt of written authorization from an appropriate District official.</p>		
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<p><u>II. Observation No. 2:</u> <u>Memorandum of Understanding Not Updated Timely</u></p> <p>1. In consultation with the solicitor, review, update and re-execute the current MOU between the District and the Bloomsburg Police Department.</p> <p>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>	<p>Background:</p> <p>Our prior audit of the District's records found that the current MOU between the District and the Bloomsburg Police Department was signed April 9, 2001, and has not been updated.</p>	<p>Current Status:</p> <p>We followed up on BASD MOU and determined that the District did take proper corrective action to address the prior audit recommendations.</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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