

CENTRAL DAUPHIN SCHOOL DISTRICT

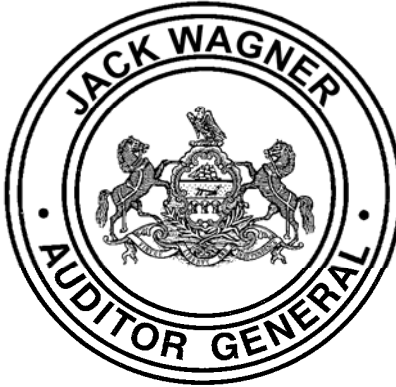
DAUPHIN COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

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

WITH FINDINGS, OBSERVATION, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

THROUGH NOVEMBER 22, 2006



CENTRAL DAUPHIN SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004
WITH FINDINGS, OBSERVATION, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS
THROUGH NOVEMBER 22, 2006

CENTRAL DAUPHIN SCHOOL DISTRICT
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background	3
Objectives, Scope and Methodology	4
Conclusions	5
Objective No. 1	5
Objective No. 2	15
Supplementary Information: Schedule and Description of State Revenue Received	21
Audit Report Distribution List	25



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

Dear Governor Rendell:

We have conducted a performance audit of the Central Dauphin School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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 Central Dauphin 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 Central Dauphin School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

To plan and perform our audit of the Central Dauphin 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 Central Dauphin 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 findings and recommendations contained in our prior audit report, except as noted in the following findings. We also identified internal control weaknesses as discussed in the observation. The findings, observation and recommendations are further discussed in the Conclusions section of this report:

Objective No. 1

- Finding No. 1 – Errors in Reporting Pupil Membership
- Finding No. 2 – Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act
- Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

Objective No. 2

- Finding – Certification Irregularities

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified and help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

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,

November 22, 2006, except for
the Observation, for which the
date was February 7, 2007

/s/
JACK WAGNER
Auditor General

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Central Dauphin School District is located in Dauphin County and encompasses an area of approximately 118.2 square miles. The school district has a population of 83,750, according to the 2000 federal census. The administrative offices are located at 600 Rutherford Road, Harrisburg, Pennsylvania.

According to school district administrative officials, during the 2003-04 school year, the district provided basic educational services to 10,868 pupils through the employment of 71 administrators, 882 teachers, and 247 full-time and part-time support personnel. Special education was provided by the district and the Capital Area Intermediate Unit #15. Occupational training and adult education in various vocational and technical fields were provided by the district and the Dauphin County Technical School.

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 21 through 24 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.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Central Dauphin 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 Central Dauphin School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004.

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 economic 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.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Central Dauphin 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 Central Dauphin School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the Conclusions-Objective No. 2 section of this report and the findings listed below. Additionally, we identified internal control weaknesses as noted in the observation included in this report. The findings, observation and recommendations were reviewed with representatives of the Central Dauphin School District, and their comments have been included in this report.

Finding No. 1 – Errors in Reporting Pupil Membership

Our review of the Central Dauphin School District's (CDS) membership reports and Dauphin County Technical School's (DCTS) vocational program approvals for the 2003-04 and 2002-03 school years found that CDS personnel reported vocational educational student membership days for students educated in a ninth grade exploratory program at DCTS which was not a vocational program approved by the Department of Education (DE). This lack of adherence to DE requirements result in the possible disallowance of vocational education subsidy (VES) payable directly to DCTS of \$27,487 and \$21,758 for the 2003-04 and 2002-03 school years, respectively.

In addition, district personnel failed to report resident membership days for one student educated at DCTS during the 2003-04 school year. This error resulted in an underpayment of \$303 in basic education funding (BEF) to CDS for the 2003-04 school year.

Section 2502.8(a) of the Public School Code provides:

For the purpose of reimbursement in accordance with this section, vocational curriculums are agriculture education, distributive education, health occupations education, home economics education (gainful), business education technical education, trade and industrial education, or any other occupational oriented program approved by the Secretary of Education.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

We contacted DE, and DE confirmed that DCTS did not have program approval for the ninth grade exploratory program; therefore, the membership days for which CDS students were enrolled in this program would not be reportable for VES. DCTS personnel confirmed all ninth grade students must enroll in this program at the start of each school year. The program was designed to have all ninth grade students spend time in all the vocational programs before they chose three programs in which to concentrate. After time was spent in each of the three programs, the student was required to choose an approved vocational program.

DCTS reported membership days to CDS for all the students who attended DCTS. Since DCTS did not adequately instruct CDS on how to report the membership for the ninth grade students in the unapproved program, CDS reported the total membership to DE on the PDE-4062 (annual attendance and membership report) under the area vocational-technical school (AVTS) column.

School districts are to report the total membership days for the calculation of BEF; however, they are to report only membership in approved programs for VES. Since the CDS reported the entire membership under the PDE-4062 AVTS column, DCTS incorrectly received VES for the ninth grade students in the unapproved program.

DE uses the aggregate days membership in the AVTS column on the PDE-4062 report for full-time technical schools to determine VES. Membership days for the ninth grade students in the unapproved exploratory program should have been reported under the grade 9 column of the PDE-4062 instead of the AVTS column.

Instruction for the exploratory program was provided from August 25, 2003, to February 23, 2004 (109 days) for the 2003-04 school year, and from August 26, 2002, to January 30, 2003 (95 days) for the 2002-03 school year. 136 ninth grade students in the 2003-04 school year, and 118 ninth grade students in the 2002-03 school year, participated for all or part of the days the program was provided, resulting in overstatements of membership for VES calculation of 13,737 days and 10,590 days, respectively.

Additionally, our review of CDS membership reports for the 2003-04 school year found the district failed to report one tenth grade resident student for 79 days. The effect on resident membership was a 79 day understatement; since the student was in an approved vocational program, vocational education membership was also understated by 79 days.

Vocational education and resident membership must be maintained and reported in accordance with DE guidelines and instructions to ensure proper receipt of VES, BEF and special education funding. The membership errors found by our audit did not have a significant effect on special education funding.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

DE instructions for completion of the PDE-4062 report must be followed when reporting membership days for students in approved and unapproved programs.

Recommendations

The district should:

- implement procedures to obtain membership reports from the DCTS that detail the total vocational education membership days for students in approved programs that should be reported under the AVTS column of the PDE-4062;
- implement procedures to obtain membership reports from the DCTS that detail total vocational education membership days for students in unapproved programs that should be reported under the appropriate grade column of the PDE-4062;
- obtain a list of all the technical school's approved programs to ensure proper reporting of vocational education membership for VES; and
- review membership reports submitted to DE for years subsequent to the audit, and if errors are found, submit revised reports to DE.

DE should correct the \$303 underpayment of BEF to CDS and recover the VES disallowance of \$49,245 from DCTS.

Response of Management

Management provided the following response agreeing with the finding:

The Central Dauphin School District was unaware of the non-approved status of the exploratory program being offered to 9th graders at the Dauphin County Vocational Technical School. The district believed that all programs offered at the Dauphin County Vocational Technical School were approved programs. District officials will discuss the audit finding in detail with representatives of the Dauphin County Vocational Technical School. The district will request a listing of both approved and non-approved programs offered at the technical school. Also, the district will require the technical school to provide membership reports that detail membership days for students in both approved and non-approved programs. Historically, the district had received an annual summary report of all district students enrolled in the vocational technical school.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

In addition, the Central Dauphin School District will review its vocational education membership and filings for the 2004-2005 and 2005-2006 school years. If necessary, any revisions will be filed. The district will also ensure that the vocational education reporting for students in approved and non-approved programs for the 2006-2007 school year is completed in accordance with PDE guidelines.

Finding No. 2 – Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act

Our initial review of the district's Statements of Financial Interests for the years ended December 31, 2005, 2004 and 2003 found four board members failed to file their statements for the 2005 year; one board member failed to file his statement for the 2004 year; and two board members failed to file their statements for the 2003 year. Subsequent to our initial review, three of the four board members who failed to file for the year ended December 31, 2005, filed their statements, on September 25, 2006. These three board members were current board members as of September 25, 2006; the member who did not file was no longer on the board.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa. C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statements of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides, in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation as it deems necessary.

Recommendations

The board should:

- seek the advice of its solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided the following response agreeing with the finding:

Each Board member was issued an Ethics Statement for the 2005 year. Three members did not return the statement to the Board secretary as directed.

To alleviate this problem in the future the Board secretary will implement the following:

1. If a Board member's term has expired, an Ethics Statement will be presented to him/her at their last board meeting, even though this would occur prior to the new Ethics Statement forms being issued by the state.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

2. All Administrators/Directors required to file an Ethic Statement, that terminated their employment with Central Dauphin School District prior to the time frame for filing an Ethics Statement, will be presented an Ethics Statement form at their exit interview.

3. A more detailed paper trail will be implemented to establish the District's attempts to secure completed Ethics Statements in a timely manner.

4. All members of the Tax Study Commission will be presented with Ethic Statements to complete. This is being done with the anticipation that the Ethics Commission will request these in the future.

Auditor's Conclusion

As stated in the finding, seven board members did not file a Statement of Financial Interests during the years reviewed. The district chose to address only the three board members who currently hold a position of the board. The finding will stand as written.

Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Central Dauphin 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 is not adequately monitoring vendor activity in their system. However, since the district has manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, that risk is mitigated. Attendance and membership reconciliations are performed between manual records and reports generated from the student accounting system.

Reliance on manual compensating controls becomes increasing problematic if the district would ever move into a paperless future with decentralized direct entry of data into their systems. 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.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

During our review, we found the district had the following weaknesses as of February 7, 2007, over remote vendor access:

- although the district is generating monitoring reports of user activity on the system (including vendor and district employees), there is no evidence to support that the district is reviewing these reports or 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 have a unique userID and password;
- the contract with the vendor did not contain a non-disclosure agreement for the district's proprietary information;
- 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 own Acceptable Use Policy;
- the districts' acceptable use policy does not include provisions for authentication (i.e. password security and syntax requirements, remote location access, including strong authentication methods) and are not required to sign the policy; and
- the district has certain weaknesses in logical access controls. We noted that the district's system parameter settings need strengthened to require all users, including the vendor during their remote access, to change their passwords every 30 days, use passwords that are a minimum length of eight characters and include alpha, numeric and special characters, maintain a password history of at least the most recent ten passwords, lock out users after three unsuccessful attempts and log off the system after a period of inactivity (i.e., 60 minutes maximum).

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Recommendations

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

- the district should continue to generate monitoring reports 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 they are 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, we recommend that the district obtain a list of vendor employees with remote access to their data and ensure that changes to the data are made only by authorized vendor representatives;
- the contract with the vendor should contain a non-disclosure agreement for the districts proprietary information;
- the district should either establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy in agreement or require the vendor to sign the district's own Acceptable Use Policy;
- the districts' acceptable use policy should include provisions for authentication (i.e. password security and syntax requirements, remote location access, including strong authentication methods) and the policy should be required to be signed by all employees; and
- the district should implement a security policy and system parameter settings to require all users, including the vendor during their remote access, to change their passwords on a regular basis (i.e., every 30 days); use passwords that are a minimum length of eight characters and include alpha, numeric and special characters, maintain a password history of at least the most recent ten passwords, lock out users after three unsuccessful attempts and log off the system after a period of inactivity (i.e., 60 minutes maximum).

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Response of Management

Management provided the following written response to our observation:

Central Dauphin School District will be implementing the following policies and procedures based on the recommendations from the Department of the Auditor General's Office.

- Central Dauphin School District will generate and monitor reports of the vendors and the activity they do on the system on a monthly basis.
- We have contacted the vendor and will be assigning unique userIDs and passwords to vendor employees who are authorized to access the district system. We also have obtained a list of the vendor employees who are authorized to access the district system.
- We are working with the district solicitor to develop a non-disclosure agreement for all contract/vendors who work with the district systems. This should take us about 90 days to complete.
- We will be sending a copy of the districts Acceptable Use Policy to all vendors to sign.
- Since the District Acceptable use Policy is a Board Policy, we do not believe it is necessary to have all employees sign this policy. Furthermore we are currently working on district procedures that will be implemented within the next 3 months that will address authentication and password complexity.
- Central Dauphin School District will make the following changes for the district system within the next 60 days. Passwords will be required to be a minimum of 8 characters in length and will require at least 1 digit. Users will be able to use alpha, numeric and special characters. The system will also keep a password history of the 10 most recent passwords and will lock out the user after 3 unsuccessful attempts. They will be required to change the passwords every 60 days and will log them off the system after 2 hours on inactivity.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Auditor's Conclusion

The conditions and recommendations stated above represent the information communicated to the auditors during our fieldwork. Any subsequent improvements or changes in management representations will be evaluated in our subsequent audit. The observation remains as presented.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Central Dauphin School District took appropriate corrective action to address the findings and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of these findings, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated January 24, 2005, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding specific prior years' findings and recommendations.

Finding No. 1 – Certification Irregularities

Our prior audit of the professional employees' certification for the period April 25, 2002 through July 29, 2004, found the following irregularities:

- one guidance counselor was employed with an expired provisional certificate;
- three teachers were employed prior to receiving Pennsylvania certification; and
- three individuals were assigned to a locally titled position for which they may not be properly certified.

We recommended that the superintendent:

- take the necessary action required to ensure compliance with certification regulations;
- ensure that all professional personnel hold valid certificates prior to hiring;
- implement procedures to track years of service for all individuals who are not permanently certified; and

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

- require district personnel to submit job descriptions to the Bureau of Teacher Certification and Preparation (BTCPC) for locally titled positions to ensure the individuals are properly certified for these positions.

We further recommended that the Department of Education (DE) adjust the district's allocations to recover any appropriate subsidy forfeitures resulting from the irregularities.

The board, in its written response, agreed in part and disagreed in part with the finding, indicating that it would appeal the citations of two of the locally titled positions, as follows:

These two employees are work experience facilitators. They place only special education students into jobs. Attached is a copy CSPG [Certification Staffing Policies and Guidelines] No. 61 that allows an educator with a special education certification to conduct student activities including paid/unpaid work experience in a community-based operation. Also attached is the school district's job description for the work experience facilitator. We believe that these two employees are certified properly for the job in which they are assigned. [Attachments not duplicated]

In a letter dated December 21, 2004, the Bureau of Budget and Fiscal Management upheld BTCPC's determination in which all seven individuals were cited from our prior audit. The Central Dauphin School District appealed two of the seven individuals cited on February 8, 2005. Based on subsequent documentation provided by the district, BTCPC determined these two individuals were in fact properly certified; therefore, BTCPC deleted these two individuals as irregularities. The possible subsidy forfeiture for the remaining five individuals was administratively addressed by DE.

Our current audit review of the five remaining individuals who were cited found the following: two individuals resigned after the 2003-04 school year, one individual obtained proper certification prior to the start of the 2004-05 school year, and two individuals remained in the same assignments during the 2004-05 school year for which they were cited in our prior audit. The two individuals who remained in the same assignments are cited again in our current audit.

Our current audit of professional employees' certification for the period July 20, 2004 to November 17, 2006, found the following irregularities:

- one guidance counselor was employed with an expired provisional certificate during the 2004-05 school year; and
- one administrator was not properly certified for her assignment as Coordinator of Reading/ESL and Federal Programs during the 2004-05 school year.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Information pertaining to the possible irregularities was submitted to BTCP, DE, for its review. BTCP confirmed the irregularities in a letter dated January 12, 2007; the district is therefore subject to a subsidy forfeiture of \$4,049 for the 2004-05 school year.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address two of the seven individuals submitted as irregularities in the finding.

Recommendations

The superintendent should ensure that:

- . current controls continue to track years of service for all individuals who are not permanently certified; and
- . personnel are properly certified prior to employment.

Since BTCP confirmed the irregularities, DE should take action to recover the \$4,049 subsidy forfeiture.

Response of Management

Management provided the following response agreeing with the finding:

In the possible citing for [the first individual]:

The management agrees that [the individual's] Level II certification for her Secondary School Counselor certificate was not obtained during 9/04 to 2/05. When the district was cited in a previous audit for [the individual], we took the necessary steps of informing her the procedure she needed to follow to acquire her Level II certification immediately. She submitted the paperwork to PDE in September of 2004, but we were not aware of a problem with her paperwork until she received notification of a "send back" because of a problem with the transcripts she submitted. While she was in the midst of working out the problems with her transcripts, she became ill and had to go on leave. She has since retired.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

There is no corrective action to take since she is no longer an employee. The Central Dauphin School District is implementing a new financial software package that will improve the Human Resource Office in the tracking of the expiration deadlines of Level I certificates. The method used currently is usually good at monitoring the progress, however, as proof of this audit, a few do get missed.

In the possible citing for [the second individual]:

The management agrees that [the individual] did not acquire the Supervisory certificate necessary for her to hold the position of Coordinator of Reading and Federal Programs. It had been the position of . . . the Superintendent at that time that [the individual] did not need the Supervisory certificate since she did not supervise or evaluate any of the teaching staff. I believe she challenged the citing at the time. After finding out that the challenge to the finding was lost, plans were made to return [the individual] to the classroom for the [20]05-06 school year. However, she remained in the Coordinator's position for the remainder of the [20]04-05 school year.

Corrective action was taken by removing [the individual] to an Elementary Reading Specialist for the [20]05-06 school year and abolishing the position of Coordinator of Reading and Federal Programs. Before [the individual] began her new assignment, she resigned in August of 2005.

Finding No. 2 – Lack of Internal Controls in the District's Transportation Department

Our prior audit of transportation data for the 2001-02 and 2000-01 school years found a lack of internal controls in the district's transportation department. The lack of internal controls resulted in deficiencies in the following areas:

- number of pupils assigned to each vehicle;
- number of days transportation was provided;
- number of nonpublic pupils transported;
- reporting of vehicles that had activity runs; and
- clerical errors in the reported years of manufacture and daily approved miles.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

We recommended that the transportation coordinator:

- review DE instructions and guidelines for the completion of end-of-year reports;
- maintain pupil rosters that show how the number of students was calculated. These pupil rosters must support the number of students transported used in district calculations and must be retained for all vehicles;
- maintain documentation to support the number of days each vehicle transports students;
- maintain and retain alphabetical pupil listings of all nonpublic pupils, nonreimbursable pupils and pupils on hazardous walking routes who are transported by the district;
- properly record and report activity runs;
- accurately record and calculate miles with and without pupils in accordance with DE instructions, and retain odometer readings for all vehicles to support mileage data used in calculations; and
- review reports submitted subsequent to the audit period, and if errors were found, submit revised reports to DE.

We also recommended that:

- the superintendent ensure that the above recommendations were addressed by the transportation coordinator to provide management with assurance that data being reported to DE is accurate;
- the board require district personnel to provide evidence to ensure that corrective actions are implemented; and
- DE require the district to maintain sufficient, competent, and relevant documentation to ensure proper justification for the receipt of state funds.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

The board, in its written response, agreed with the finding and stated that it would take corrective action to implement our recommendations.

Our current audit found district personnel implemented all seven recommendations as noted in its response. The corrections were implemented for the 2003-04 and 2002-03 school years.

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

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$24,491,907 and \$24,002,311, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

STATE REVENUE	<u>2004</u>	<u>2003</u>
Basic Education	\$12,592,037	\$12,326,915
Read to Succeed	-	39,551
Charter Schools	50,329	50,329
School Performance Incentives	-	34,820
Tuition for Orphans and Children Placed in Private Homes	260,324	266,104
Homebound Instruction	658	1,550
Vocational Education	63,645	64,434
Alternative Education	179,555	176,404
Special Education	4,669,304	4,478,488
Transportation	2,855,429	2,870,562
Rental and Sinking Fund Payments	583,091	952,408
Health Services	247,791	250,670
Sewage Treatment Operations	-	751
Safe Schools	13,360	3,340
Social Security and Medicare Taxes	1,955,017	2,097,354
Retirement	1,018,652	388,631
Barrier Elimination Project Grant	2,715	-
 <u>TOTAL STATE REVENUE</u>	 <u>\$24,491,907</u>	 <u>\$24,002,311</u>

CENTRAL DAUPHIN 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.

Read to Succeed

Revenue received from the Commonwealth to ensure that all students learn to read and write by the end of the third grade.

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.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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.

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.

Sewage Treatment Operations

Revenue received from the Commonwealth via the Department of Environmental Protection as subsidy for the annual operation costs of a sewage treatment plant. Payments are made in accordance with Act 339 of 1953.

Safe Schools

Revenue received from the Commonwealth as subsidy for Safe School programs.

CENTRAL DAUPHIN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

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:

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

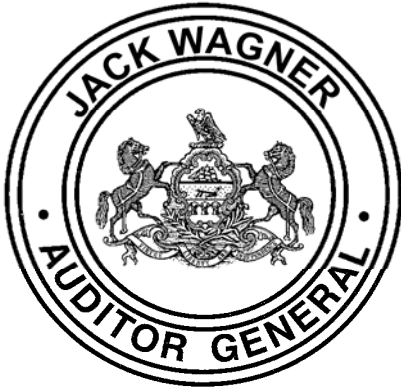
The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

Mr. John Godlewski
Director, Bureau of Budget and Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

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.