

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Ms. Betsy A. Youndt, Board President
Conestoga Valley School District
2110 Horseshoe Road
Lancaster, Pennsylvania 17601

Dear Governor Rendell and Ms. Youndt:

We conducted a performance audit of the Conestoga Valley School District (CVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 20, 2007 through June 24, 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 CVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the CVSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 23, 2010

cc: **CONESTOGA VALLEY 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 Conestoga Valley School District (CVSD). 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 CVSD in response to our prior audit recommendations.

Our audit scope covered the period June 20, 2007 through June 24, 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 CVSD encompasses approximately 56 square miles. According to 2007 local census data, it serves a resident population of 30,261. According to District officials, in school year 2007-08 the CVSD provided basic educational services to 4,009 pupils through the employment of 312 teachers, 193 full-time and part-time support personnel, and 20 administrators. Lastly, the CVSD received more than \$7.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observation. With regard to the status of our prior audit recommendations to the CVSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the CVSD had taken appropriate corrective action in implementing our recommendations pertaining to board members' failure to file Statements of Financial Interests (see page 7), unmonitored vendor system access and logical access control weaknesses (see page 8), failure to obtain a school safety Memorandum of Understanding (see page 10), and internal control weaknesses in administrative policies regarding bus drivers' qualifications (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 June 20, 2007 through June 24, 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 CVSD'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:

- ✓ 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 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.

CVSD 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 pupil transportation, bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2008, we reviewed the CVSD's response to DE dated January 22, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Conestoga Valley School District (CVSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in three reported findings and one observation, as shown in the following table. 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 CVSD 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 CVSD did implement recommendations related to the findings and 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: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</i></u></p> <p>1. Seek the advice of the District's solicitor in regard to the board's responsibility when elected board members fail to file their Statements of Financial Interests by the due date.</p>	<p>Background:</p> <p>Our prior audit of District records conducted March 28, 2007, found that three former board members failed to file their Statements of Financial Interests for the 2005 calendar year. As a result of our initial review, the superintendent's secretary requested the former board members to submit their missing Statements of Financial Interests. As of May 22, 2007, statements were received from all three members for the 2005 calendar year; the statements were dated April 3, 2007, April 30, 2007, and May 1, 2007. Since the forms should have been filed by May 1, 2006, this later submission of the Statements of Financial Interests was still untimely.</p>	<p>Current Status:</p> <p>Our current audit found that the District did not seek the advice of its solicitor because they interpreted our recommendation to mean that they were only to contact the solicitor if an elected board member failed to file.</p> <p>However, we found that all board members correctly filed their Statements of Financial Interests for the calendar year we reviewed.</p>

<p><u>II. Finding No. 2:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on the District's 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. Maintain evidence that the District performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner. 3. Keep a copy of the fully executed maintenance agreement, signed by both parties on file. 4. Allow remote access to the system only when the vendor needs access to make pre-approved 	<p>Background:</p> <p>The CVSD used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had 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 unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that the District implemented all of our recommendations.</p>
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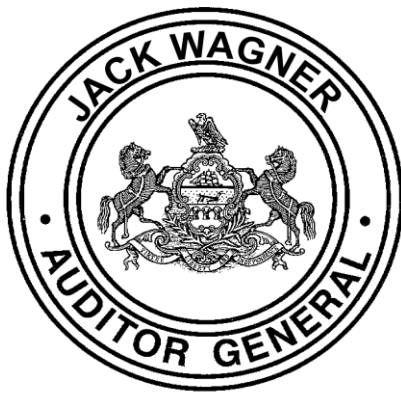
<p>changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.</p> <p>5. The contract with the vendor should contain a non-disclosure agreement for the District's proprietary information and the District's legal counsel should review any major contract before the District enters into an agreement.</p> <p>6. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.</p> <p>7. Establish separate information technology policies and procedures controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.</p> <p>8. The District's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements).</p> <p>9. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords</p>		
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<p>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><u>III. Finding No. 3: Failure to Obtain Memorandum of Understanding</u></p> <ol style="list-style-type: none"> 1. Develop and obtain a current Memorandum of Understanding (MOU) that fulfills the requirements of the Public School Code. 2. Adopt a policy requiring the administration to review and re-execute the MOU every two years. 	<p>Background:</p> <p>Our prior audit of the District’s records found that the District did not have the required MOU with one of its local police departments. The District and the local police department had a document identified as a MOU; however, the contents of the document related to the employment of a school resource officer and did not detail the responsibilities of each entity in the event of an emergency situation, as provided for in the MOU format contained in DE’s Basic Education Circular addressing MOUs.</p>	<p>Current Status:</p> <p>Our current audit found that the District developed a MOU with the local police department which was signed by both the District and the police department on September 21, 2009. This current MOU contains language that it must be reviewed and re-executed within two years of its original execution and every two years thereafter.</p>
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<p><u>IV. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications</u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District’s transportation contractors have been charged with or convicted of crimes that, even though not 	<p>Background:</p> <p>Our prior audit found that neither the District nor its contractors, except for one, had written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual’s continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that the District complied with our recommendations.</p>
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<p>disqualifying under state law, affect their suitability to have direct contact with children.</p> <p>2. Implement written policies and procedures to ensure the District is notified when current employees of the District or the District's transportation contractors were charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.</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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