

EASTERN LEBANON COUNTY SCHOOL DISTRICT  
LEBANON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2011



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

Mr. Edward Gardener, Board President  
Eastern Lebanon County School District  
180 Elco Drive  
Myerstown, Pennsylvania 17067

Dear Governor Corbett and Mr. Gardener:

We conducted a performance audit of the Eastern Lebanon County School District (ELCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 19, 2009 through March 4, 2011, 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 ELCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER  
Auditor General

June 15, 2011

cc: **EASTERN LEBANON COUNTY SCHOOL DISTRICT** Board Members



## **Table of Contents**

---

---

	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Status of Prior Audit Findings and Observations .....	7
Distribution List .....	11



## **Executive Summary**

---

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Eastern Lebanon County School District (ELCSD). 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 ELCSD in response to our prior audit recommendations.

Our audit scope covered the period February 19, 2009 through March 4, 2011, 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**

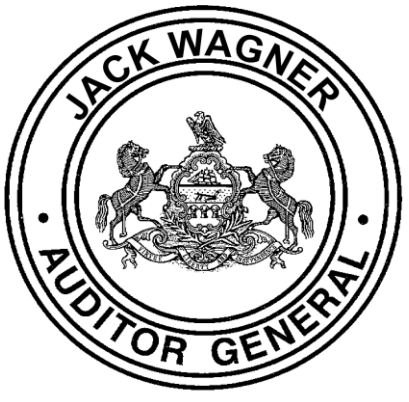
The ELCSD encompasses approximately 75 square miles. According to 2009 local census data, it serves a resident population of 20,403. According to District officials, in school year 2007-08 the ELCSD provided basic educational services to 2,505 pupils through the employment of 175 teachers, 101 full-time and part-time support personnel, and 14 administrators. Lastly, the ELCSD received more than \$8.1 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the ELCSD 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**

**Observations.** With regard to the status of our prior audit recommendations to the ELCSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the ELCSD had taken appropriate corrective action in implementing our recommendations pertaining to their Memorandum of Understanding and unmonitored intermediate unit system access and logical access control weaknesses (see page 7).





## 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 February 19, 2009 through March 4, 2011.

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 ELCSD'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:

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

ELCSD 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 and bus driver qualifications.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 2, 2009, we reviewed the ELCSD's response to DE dated July 12, 2010. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

---

---

**F**or the audited period, our audit of the Eastern Lebanon County School District resulted in no findings or observations.

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

---

Our prior audit of the Eastern Lebanon County School District (ELCSD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to their Memorandum of Understanding and the second observation pertained to unmonitored intermediate unit (IU) 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 ELCSD Superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the ELCSD did implement recommendations related to their memorandum of understanding and unmonitored IU system access and logical access control weaknesses

### **School Years 2005-06 and 2004-05 Auditor General Performance Audit Report**

---

#### **Observation No. 1: Memorandum of Understanding Not Updated Timely**

##### Observation

##### Summary:

Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and the Pennsylvania State Police was signed August 31, 1998, and has not been updated.

##### Recommendations:

Our audit observation recommended that the ELCSD:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the District and the Pennsylvania State Police.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

##### Current Status:

During our current audit procedures we found that the ELCSD did implement our recommendations.

---

#### **Observation No. 2: Unmonitored IU System Access and Logical Access Control Weaknesses**

##### Observation

##### Summary:

ELCSD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the network servers. Additionally, the software is located on a server that is located at and owned by the

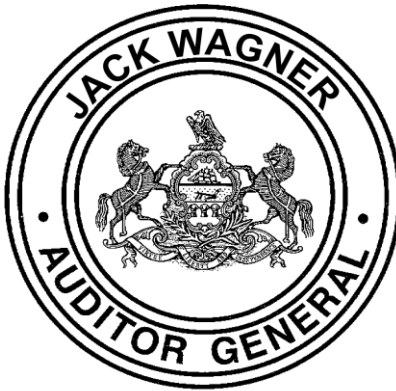
Lancaster-Lebanon Intermediate Unit #13. They also have access to the network servers.

Recommendations: Our audit observation recommended that the ELCSO:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Ensure that the contract with the IU contains a non-disclosure agreement for the District's proprietary information.
3. Ensure that the District's Acceptable Use Policy includes provisions for violations/incidents (what is to be reported and to whom).
4. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the IU sign this policy, or the District should require the IU to sign the District's Acceptable Use Policy.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. Implement a security policy and system parameter settings to maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
8. Only allow access to their system when the IU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the IU has completed its work. This procedure would also enable the monitoring of IU changes.
9. Generate monitoring reports (including firewall logs) of IU 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.
10. Encrypt the District's remote connections.
11. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.

Current Status: During our current audit procedures we found that the ELCSD changed the location of their servers from the prior audit. Therefore, we conducted a new review of the server location to determine if our recommendations had been implemented. The district implemented all of our recommendations except for one item which resulted in a verbal comment.

---





## **Distribution List**

---

---

This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us), and the following:

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

The Honorable Ronald J. Tomalis  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

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

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

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 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](http://www.auditorgen.state.pa.us).

