

EASTON AREA SCHOOL DISTRICT
NORTHAMPTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2011

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

Mr. Kerry Myers, Board President
Easton Area School District
1801 Bushkill Drive
Easton, Pennsylvania 18040

Dear Governor Corbett and Mr. Myers:

We conducted a performance audit of the Easton Area School District (EASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period August 7, 2009 through April 12, 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, 2010 and June 30, 2009. 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 EASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

October 11, 2011

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

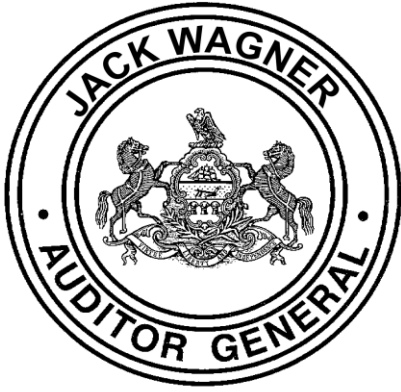


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Executive Summary

Audit Work

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

Our audit scope covered the period August 7, 2009 through April 12, 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 2009-10 and 2008-09.

District Background

The EASD encompasses approximately 28 square miles. According to 2005 local census data, it serves a resident population of 63,195. According to District officials, in school year 2009-10 the EASD provided basic educational services to 9,306 pupils through the employment of 771 teachers, 598 full-time and part-time support personnel, and 40 administrators. Lastly, the EASD received more than \$34.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the EASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Driver Qualifications. Our audit of the EASD's transportation records found that EASD did not have policies and procedures in place to inform them when any of their drivers are charged with crimes since their hire dates (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the EASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the EASD had taken appropriate corrective action in implementing two of our four recommendations pertaining to unmonitored vendor system access and logical access control weaknesses. A verbal comment was issued to address the remaining two recommendations (see page 8).



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 7, 2009 through April 12, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 EASD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

EASD 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 EASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 26, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Public School Code section and criteria relevant to the observation:

Section 111 of the Public School Code requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Service Law (CPSL), known as Act 151, requires prospective school employees to submit an official child abuse clearance statement obtained from the Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by court to have committed child abuse.

Internal Control Weaknesses in Administrative Policies Regarding Bus Driver Qualifications

Our audit of the personnel records of bus drivers currently employed by the Easton Area School District (EASD) found that these individuals possessed the minimum requirements to be employed as bus drivers and that EASD had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the EASD from hiring any of the drivers. Therefore, we concluded that the EASD has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicant's suitability to have direct contact with children.

However, the EASD did not have 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. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

The *Easton Area School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the EASD have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure the EASD is notified when current employees of the EASD are charged with or convicted of crimes that call into

question their suitability to continue to have direct contact with children.

Management Response

Management stated the following:

The District had not previously applied for access to bus driver records after initial pre-employment reports.

The District has now applied for internet access to these records and will be obtaining not only these pre-employment reports but each summer will be requesting these abstract reports for all drivers on a continuing basis.

Status of Prior Audit Findings and Observations

Our prior audit of the Easton Area School District (EASD) for the school years 2007-08 and 2006-07 resulted in one reported observation pertaining to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the EASD to implement our prior recommendations. We performed audit procedures, and questioned EASD personnel regarding the prior observation. As shown below, we found that the EASD did implement two of our four recommendations related to unmonitored vendor system access and logical access control weaknesses. A verbal comment was issued to address the remaining two recommendations.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Observation: **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation

Summary:

The EASD 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.

Recommendations:

Our audit observation recommended that the EASD:

1. Establish separate information technology policies and procedures for controlling the activities of the vendors 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 that are a minimum length of eight characters; and passwords should use include alpha, numeric and special characters.
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
4. Store back-up tapes in a secure, off-site location.

Current Status: During our current audit procedures, we found that the EASD did implement the recommendations regarding system parameter settings and off-site back-up. EASD did not implement the recommendations regarding the vendor's policy and userID. We continue to recommend that management implement these important recommendations and we will determine the status of the implementation during our next regularly scheduled audit of the District.



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

