



**FAIRVIEW SCHOOL DISTRICT  
ERIE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**APRIL 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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EUGENE A. DePASQUALE  
AUDITOR GENERAL

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

Mr. Michael Dougherty, Board President  
Fairview School District  
7460 McCray Road  
Fairview, Pennsylvania 16415

Dear Governor Corbett and Mr. Dougherty:

We conducted a performance audit of the Fairview School District (FSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 21, 2009, through August 21, 2012, 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 FSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

April 3, 2013

cc: FAIRVIEW SCHOOL DISTRICT Board Members



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Fairview School District (FSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures, and to determine the status of corrective action taken by the FSD in response to our prior audit recommendations.

Our audit scope covered the period December 21, 2009, through August 21, 2012, 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 FSD encompasses approximately 29 square miles. According to 2010 federal census data, it serves a resident population of 10,102. According to District officials, in school year 2009-10 the FSD provided basic educational services to 1,679 pupils through the employment of 112 teachers, 101 full-time and part-time support personnel, and 14 administrators. Lastly, the FSD received more than \$5.3 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the FSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

**Finding: Certification Deficiency.** Our audit of the professional employees' certificates and assignments for the period October 21, 2009, through June 30, 2012, found that one individual was assigned to an education specialist position in the 2010-11 and 2011-12 school years without possessing the proper certification (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the FSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the FSD had taken appropriate corrective action in implementing our recommendations pertaining to information technology (see page 8) and bus driver qualifications (see page 10).





## Audit Scope, Objectives, and Methodology

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### 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 December 21, 2009, through August 21, 2012, except for the verification of professional employee certification, which was performed for the period October 21, 2009, through June 30, 2012.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the FSD's compliance with applicable state laws, 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?
- ✓ 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?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

*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, observations and conclusions based on our audit objectives.

*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, contracts, grant requirements, and administrative procedures.

FSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the FSD is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 25, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC), 24 P. S. § 12-1202, provides, in part:

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

Section 2518 of the PSC, 24 P.S. § 25-2518, provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

### Certification Deficiency

Our audit of the professional employees’ certificates and assignments for the period October 21, 2009, through June 30, 2012, found that one individual was assigned to an education specialist position in the 2010-11 and 2011-12 school years without possessing the proper certification.

Information pertaining to the assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education (PDE), for its review. BSLTQ determined that the employee was improperly assigned. The Fairview School District (FSD) is therefore subject to subsidy forfeitures of \$2,184 for the 2010-11 school year and \$3,341 for the 2011-12 school year.

The deficiency resulted from the FSD administrative personnel’s failure to ensure professional employees were assigned to positions within their certified areas, in accordance with PDE Certification and Staffing Policies and Guidelines.

As of August 20, 2012, the FSD and the employee in question had submitted to PDE the documentation needed to update the teacher’s profile.

### Recommendations

The *Fairview School District* should:

Require FSD administrative personnel to regularly review the procedures implemented by the current superintendent to ensure that an individual’s certification(s) meet the requirements of the assignments the FSD intends to assign to the individual.

The *Pennsylvania Department of Education* should:

Adjust the FSD's allocations to recover the subsidy forfeitures of \$5,525.

## **Management Response**

Management stated the following:

“The finding outlines an issue with a guidance counselor who does not hold a Specialist II certification.

“The District verifies that [the individual] worked 65% during the 2010-11 school year and 100% during the 2011-12 school year as a guidance counselor. The District has requested a validity of service and as of this writing has not heard back from the Pennsylvania Department of Education (PDE).

“A question arose concerning this counselor's certification by the Auditor General's Office auditor in October 2009. The District made numerous inquiries to both the Pennsylvania Department of Education – Bureau of Teacher Certification and followed up with the on-site auditor for the Pennsylvania Auditor General's office questioning the counselor's certification. We never received a response from the Bureau or the on-site auditor.

“Because there was uncertainty regarding [the individual's] certification, we were relying on feedback from PDE and/or the Auditor General. Had we received information per our requests, we would have acted on it immediately.”

## **Auditor Conclusion**

The Department of the Auditor General cannot make final determinations regarding certification issues. This must ultimately be done by BSLTQ, PDE, to whom districts must address such concerns.

When we requested evidence of any discussion of this issue during our prior audit, or the FSD's subsequent follow-up with PDE, FSD personnel were unable to produce any documentation.

The finding will stand as written and any questions on the part of the FSD must be addressed to PDE.

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

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Our prior audit of the Fairview School District (FSD) for the school years 2007-08 and 2006-07 resulted in two observations. The first observation pertained to information technology, and the second observation pertained to bus driver qualifications. As part of our current audit, we determined the status of corrective action taken by the FSD to implement our prior recommendations. We performed audit procedures and questioned FSD personnel regarding the prior observations. As shown below, we found that the FSD did implement our recommendations related to the prior observations.

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

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#### **Observation No. 1: Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses**

##### Observation

##### Summary:

The FSD uses software purchased from Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance). CSIU has remote access into FSD's network servers.

We determined that a risk existed that unauthorized changes to the FSD's data could occur and not be detected because there was no evidence that the FSD was adequately monitoring the CSIU's activity in the system.

##### Recommendations:

Our prior audit observation recommended that the FSD:

1. Require CSIU to assign unique userIDs and passwords to CSIU employees authorized to access the FSD's system. Further, the FSD should obtain a list of CSIU employees with remote access to its data and ensure that changes to the data are made only by authorized CSIU representatives.
2. Develop policies and procedures to require written authorization when adding or changing a userID.
3. Establish policies and procedures to analyze the impact of proposed program changes in relations to other business-critical functions.
4. Establish separate CSIU policies and procedures for controlling the activities of vendor/consultants and have CSIU sign this policy, or the FSD should require CSIU to sign the FSD's Acceptable Use Policy (AUP).

5. The FSD's AUP should include provisions for authentication (password security and syntax requirements). Further, all employees should be required to sign and adhere to this policy.
6. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the FSD should install fire detectors in the computer room.

Current Status:

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

1. The CSIU has assigned unique userIDs and passwords and is not allowed access to the FSD's system unless preapproval for entry has been obtained from the technology supervisor and the "help" desk. Support personnel cannot provide assistance to the FSD's caller unless authorized to shadow or take control of the involved computer. In addition, as an additional safeguard, the FSD continues to maintain its own software back-up information should problems arise.
2. The superintendent or the business manager must now send an email to the technology supervisor to add a new userID. In addition, the technology supervisor must advise the superintendent and the business manager when a userID change is submitted, with the reasons why the request was made.
3. Prior to proposed program changes, the technology supervisor conducts a meeting with the administration and involved software users to discuss the proposed changes and their impact, if any. In addition, full software program and data back-ups are performed prior to the changes for reinstallation should problems occur.
4. The FSD relies on the contractual language regarding confidentiality of information, and has established procedures for controlling the activities of vendor/consultants by requiring notification of proposed activity.
5. The FSD has implemented provisions for authentication (password security and syntax requirements) by requiring password changes every 30 days and maintaining a 24 password history.
6. The FSD has installed and continues to monitor the environmental controls around the network server.

**Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications for the Third Time**

Observation

Summary:

Our prior audit found continued internal control weaknesses in administrative policies regarding bus drivers' qualifications. Our prior audit found that neither the FSD nor the FSD's contractor had written policies or procedures to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses that should be considered when determining an individual's continued suitability to be in direct contact with children.

Recommendations:

Our audit observation recommended that the FSD:

In consultation with the FSD's solicitor, develop a process to determine, on a case-by-case basis, whether prospective and current employees of the FSD and the FSD's independent contractors 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.

Current Status:

During our current audit procedures, we found that the FSD did implement the recommendation.

Due to changes in the Public School Code, the FSD was required to have all employees sign a letter by December 27, 2011, disclosing whether or not they had been charged with or convicted of certain crimes since their date of hire. This letter also placed an obligation on the employee to report to the FSD the occurrence of any such incident within 72 hours. The FSD further strengthened the Act's requirements by providing a reminder to employees, at least annually, of the 72 hour rule.



## **Distribution List**

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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  
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