

GREENVILLE AREA SCHOOL DISTRICT
MERCER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2010

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

Mr. Michael C. Downing, Board President
Greenville Area School District
9 Donation Road
Greenville, Pennsylvania 16125

Dear Governor Rendell and Mr. Downing:

We conducted a performance audit of the Greenville Area School District (GASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 8, 2008 through November 20, 2009, 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 GASD complied, in all significant respects, with applicable state laws, regulations, 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 GASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve the GASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the GASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

August 25, 2010

cc: **GREENVILLE 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 Greenville Area School District (GASD). 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 GASD in response to our prior audit recommendations.

Our audit scope covered the period February 8, 2008 through November 20, 2009, 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 GASD encompasses approximately 29 square miles. According to 2000 federal census data, it serves a resident population of 13,500. According to District officials, in school year 2007-08, the GASD provided basic educational services to 1,571 pupils through the employment of 110 teachers, 85 full-time and part-time support personnel, and 7 administrators. Lastly, the GASD received more than \$9.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the GASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: School Bus Driver Qualification Deficiency. Our audit randomly reviewed the qualifications on file for 25 of the 40 GASD approved contracted bus drivers. Our review found one driver did not have a criminal history background check completed by the Pennsylvania State Police as mandated by the Public School Code (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the GASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the GASD had taken appropriate corrective action in implementing our recommendations pertaining to findings on continued pupil membership reporting errors (see page 8) and continued certification deficiencies (see page 9). In addition, we found that the GASD had taken appropriate corrective action on most matters regarding our observation concerning information technology controls (see page 9).



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 8, 2008 through November 20, 2009.

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 GASD'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?
- ✓ 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?
- ✓ 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?

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ 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 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 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, regulations, contracts, grant requirements and administrative procedures.

GASD 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, 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 GASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 29, 2009, we reviewed the GASD's response to DE dated October 19, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

School Bus Drivers' Qualification Deficiency

Criteria relevant to the finding:

Pennsylvania Department of Transportation (PENNDOT) bus driver regulations require the possession of a valid driver's license, the completion of school bus driver skills and safety training, and passing a physical examination.

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.

Section 6355 of the Child Protective Services Law (CPSL) 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 a court to have committed child abuse.

Act 114 requires an FBI fingerprint record check for all employees hired on or after April 1, 2007.

Our audit of the Greenville Area School District's (GASD) school bus drivers' qualifications on file at the District for the 2009-10 school year found one deficiency.

Several state statutes and regulations (noted at left) establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the safety and welfare of the students transported in school buses.

We reviewed the personnel records of 25 of the 40 drivers currently employed by the GASD's transportation contractor. The drivers were selected at random.

Our audit found that of the 25 drivers reviewed, one did not have a proper criminal history record check on file. Section 111 requires this check for all employees hired after 1986. The employee in question was hired in 1991.

The failure to have the criminal history record check on file was the result of the contractor believing that the records check was mandated for employees hired after 1991.

By not having the required bus driver's qualification documents on file, the District was not able to review the documents to determine whether the driver was qualified to transport students. If an unqualified driver transports students, there is an increased risk to the safety and welfare of the students.

On October 23, 2009, we informed the GASD management of the missing documentation and instructed them to immediately obtain the necessary documents, so that they can ensure the driver is properly qualified to have direct contact with children. As of the end of our fieldwork on November 20, 2009, GASD management did not provide us with the necessary documentation. Therefore, we were unable to verify that the driver was properly qualified to have direct contact with children.

Recommendations

The *Greenville Area School District* should:

1. Ensure that the driver without a criminal history record check on file ceases driving students until a criminal record check is obtained from the Pennsylvania State Police.
2. Ensure that the District's transportation coordinator reviews each drivers' qualifications prior to that person transporting students.

Management Response

The driver has applied for proper clearances.

Status of Prior Audit Findings and Observations

Our prior audit of the Greenville Area School District (GASD) for the school years 2005-06 and 2004-05 resulted in two reported findings and one observation. The first finding pertained to membership reporting errors, and the second finding to a certification deficiency. The observation pertained to information technology controls. 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 GASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the GASD did implement recommendations related to the findings and 8 of the 10 recommendations related to the observation.

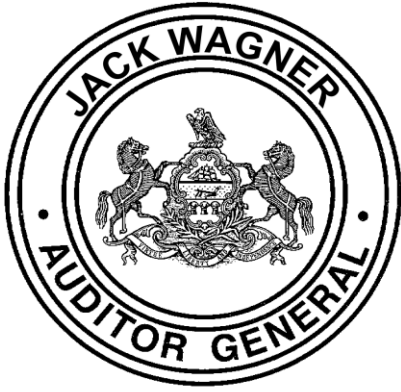
| <i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i> | | |
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| <i>Prior Recommendations</i> | <i>Implementation Status</i> | |
| <p><u><i>I. Finding No. 1: Continued Pupil Membership Errors</i></u></p> <ol style="list-style-type: none"> Require that District personnel responsible for reporting pupil membership perform an internal review of all membership data prior to submission of reports to DE and also familiarize themselves with DE guidelines and instructions regarding intermediate unit (IU) pupil classifications. DE should adjust the District’s allocations to recover the overpayments. | <p>Background:</p> <p>Our prior audit of the District’s pupil membership records for the 2005-06 and 2004-05 school years found clerical errors in the membership reports it sent to DE. These errors resulted in overpayments of \$4,945 for the 2005-06 school year, and \$4,929 for the 2004-05 school year, for a total overpayment of \$9,874.</p> <p>The errors were found in the reporting of membership days for elementary students, the double reporting of a nonresident student in both grade level and as a vocational student, and errors in reporting students attending IU special education classes.</p> | <p>Current Status:</p> <p>Our current audit found no reporting errors in membership reports submitted to DE for the 2007-08 and 2006-07 school years.</p> <p>We concluded the GASD did take appropriate corrective action to address this finding.</p> <p>DE personnel stated at the time of the audit that the overpayments were still pending.</p> |

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| <p><u>II. Finding No. 2:</u> <u>Continued Certification</u> <u>Deficiency</u></p> <ol style="list-style-type: none"> 1. Ensure that all individuals charged with the instruction of its students have the proper certification. 2. DE should adjust the District's allocations to recover the subsidy forfeitures. | <p>Background:</p> <p>Our prior audit of professional employees' certificates and assignments for the period October 1, 2005 through September 20, 2007, found that one individual was assigned to a facilitator position without holding proper certification, resulting in a subsidy forfeiture of \$694 for the 2006-07 school year and \$695 for the 2007-08 school year.</p> <p>The deficiency occurred because District officials did not believe that a facilitator for an online course needed to be a certificated professional teacher.</p> | <p>Current Status:</p> <p>We followed up on the certification deficiency and found that the GASD did take appropriate corrective action to address this finding. The District has two certified teachers monitoring the classes. Our current audit found no certification deficiencies.</p> <p>On December 20, 2007, DE upheld the citation for 2006-07 school year and withheld the subsidy forfeiture of \$694 on June 25, 2008. The citation for the 2007-08 school year was deleted by DE personnel.</p> |
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| <p><u>III. Observation:</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 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. | <p>Background:</p> <p>Our prior audit found the District uses software purchased from the IU for its critical student accounting applications (membership and attendance). Additionally, the District's entire computer system, including all its data and the above software are maintained on the IU's servers which are physically located at the IU. The District has remote access into the IU's network servers, with the IU providing system maintenance and support.</p> | <p>Current Status:</p> <p>Our current audit confirmed that 8 of the 10 recommendations were addressed fully. Additionally, one of the remaining recommendations was addressed partially, while the other was not addressed at all by the GASD. The recommendations were as follows:</p> <ol style="list-style-type: none"> 1. System logs to monitor activities are generated. 2. The IU now uses a customer service request form (CSR) to access the district's system. 3. The contract with the IU has been reviewed by the solicitor. 4. Emergency modification procedures are in place in IU guidelines. 5. The above mentioned CSR is used for upgrades. |
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| <p>2. 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.</p> <p>3. Ensure that the contract with the vendor is reviewed by legal counsel.</p> <p>4. Establish policies and procedures to analyze the impact of proposed changes in relation to other business-critical functions.</p> <p>5. Ensure that upgrades/updates to the District’s system are made only after receipt of written authorization from appropriate District officials.</p> <p>6. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.</p> <p>7. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the IU sign this policy, or the district should require the vendor to sign the district’s acceptable use policy.</p> | | <p>6. The CSR and change in administrative guidelines enable a process.</p> <p>7. Acceptable Use Policy (AUP) has been signed by District and IU employees.</p> <p>8. Password security and syntax requirements are not included in the AUP. <u>(Not addressed)</u></p> <p>9. Screen shots provided to evidence security features.</p> <p>10. All security concerns were addressed with the exception of special characters to be used in passwords. <u>(Partially addressed)</u></p> <p>Based upon the results of our audit, we concluded that the District has made significant progress in resolving this observation.</p> |
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| <p>8. Include in its AUP provisions for authentication (password security and syntax requirements).</p> <p>9. Be able to provide documentation e.g. screen shots that evidence the remote access software security features are enabled.</p> <p>10. Implement a security policy and system parameter settings to require all users, including the IU, to change their passwords 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 security to 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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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
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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.

