

JIM THORPE AREA SCHOOL DISTRICT
CARBON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

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

Dr. Clement McGinley, Board President
Jim Thorpe Area School District
410 Center Avenue
Jim Thorpe, Pennsylvania 18229

Dear Governor Corbett and Dr. McGinley:

We conducted a performance audit of the Jim Thorpe Area School District (JTASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 28, 2009 through March 22, 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 JTASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in three findings noted in this report. In addition, 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 findings, observation and recommendations have been discussed with JTASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve JTASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the JTASD's cooperation during the conduct of the audit.

Sincerely,

/s/

**JACK WAGNER
Auditor General**

January 14, 2013

cc: **JIM THORPE AREA SCHOOL DISTRICT** Board Members

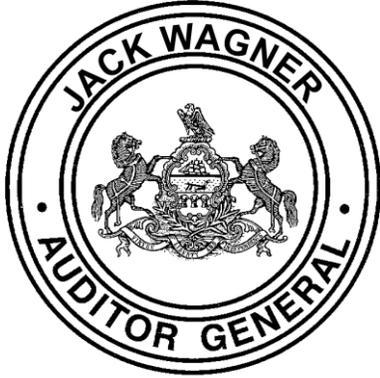
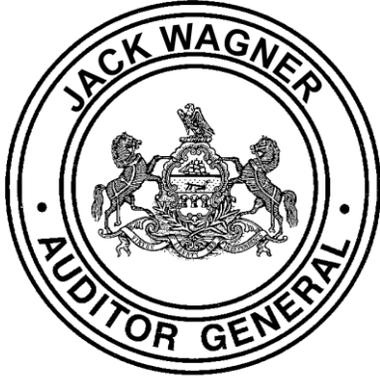


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Executive Summary

Audit Work

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

Our audit scope covered the period October 28, 2009 through March 22, 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 JTASD encompasses approximately 150 square miles. According to 2010 federal census data, it serves a resident population of 17,474. According to District officials, in school year 2009-10 the JTASD provided basic educational services to 2,188 pupils through the employment of 148 teachers, 142 full-time and part-time support personnel, and 10 administrators. Lastly, the JTASD received more than \$7.1 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the JTASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified three compliance-related matters reported as findings and one matter unrelated to compliance that is reported as an observation.

Finding No. 1: Errors in Reporting Pupil Membership and a Lack of Internal Controls Resulted in a Subsidy and Reimbursement Underpayment.

Our audit of JTASD's pupil membership reports submitted to the Pennsylvania Department of Education (PDE) for the 2009-10 school year found reporting errors as well as a lack of internal controls. JTASD personnel inaccurately reported the membership for nonresident 1305 students (children placed in private homes), and nonresident 1306 students (orphans), as well as intermediate unit mainstreamed residents. The lack of internal controls resulted in the JTASD failing to correctly enter student data and reconcile preliminary data reports from PDE, which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report (see page 7).

Finding No. 2: Possible Conflict of Interest.

Our review of JTASD records and the minutes of the meetings of the school board found an instance of a possible conflict of interest, where a board member may have engaged in prohibited conduct (see page 10).

Finding No. 3: Memorandums of Understanding with Local Law Enforcement Not Updated Timely. Our audit of the JTASD found that the Memorandums of Understanding (MOU) between the JTASD and two police departments with jurisdiction over school property, was updated July 11 and 14, 2011. These MOUs were last updated February 11, 2009, therefore they were not updated timely (see page 12).

Observation: Transportation Contractors Paid Significantly Over State Formula. Our audit of the JTASD's transportation records for the 2009-10 and 2008-09 school years found that the JTASD pays two of its bus contractors a significant amount over state formula, which may result in taxpayer money being expended unnecessarily (see page 14).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the JTASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the JTASD had taken appropriate corrective action in implementing our recommendations pertaining to the Ethics Act hiring violation (see page 17). However, JTASD had taken appropriate corrective action in implementing one recommendation, and most parts of the other recommendation, pertaining to an observation about its student accounting applications (see page 18). Lastly, JTASD had taken appropriate corrective action in implementing our recommendations pertaining to the observation for internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 18).

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 October 28, 2009 through March 22, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through February 28, 2012.

Regarding state subsidy and reimbursements, our audit covered school year 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 JTASD'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 the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ 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 its current bus drivers are properly qualified, and does it 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?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ 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

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.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observation and conclusions based on our audit objectives.

JTASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 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.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 25, 2010, we reviewed the JTASD's response to PDE dated December 22, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1



Errors in Reporting Pupil Membership and a Lack of Internal Controls Resulted in a Subsidy and Reimbursement Underpayment

Criteria and Public School Code relevant to the finding:

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; LEP Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the Federal Information Systems Control Manual (FISCAM), a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a state wide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Our audit of Jim Thorpe Area School District's (JTASD) pupil membership reports submitted to PDE for the 2009-10 school year found reporting errors as well as a lack of internal controls. District personnel inaccurately reported the membership for nonresident 1305 students (children placed in private homes), and nonresident 1306 students (institutional ward of the state), as well as intermediate unit (IU) mainstreamed residents. The lack of internal controls resulted in the District failing to correctly enter student data and reconcile preliminary data reports from PDE, which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

Membership days for 1305 nonresident students were understated 290 days for full time kindergarten students, 289 days for elementary students and 728 days for secondary students. Membership days for 1306 nonresident students were understated 1,477 days for secondary students. In addition, IU mainstreamed resident days were understated 848 days for elementary students and 753 days for secondary students. The nonresident errors resulted in the District being underpaid \$135,941. An underpayment for the IU mainstreamed resident days

Section 2503 (c) of the Public School Code (PSC) provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Membership data for nonresident children placed in private homes must be maintained and reported accurately and in accordance with PDE guidelines and instructions, since this is a major factor in determining the district's reimbursement.

has also occurred. However, PDE will calculate and make the adjustment accordingly.

The errors were due to District personnel failing to correctly enter student data into their vendor system and correctly report membership for the nonresident 1305 and 1306 students, as well as the IU mainstreamed resident students.

PDE has been provided a report detailing the errors for use in recalculating the District's subsidy.

Recommendations

The *Jim Thorpe Area School District* should:

1. Establish internal controls that include reconciliations of the data that is uploaded into PIMS.
2. Verify that the Preliminary Reports from PDE are correct and if not correct, revise and resubmit child accounting data so that the Final Reports from PDE are correct.

The *Pennsylvania Department of Education* should:

3. Revise all reports that have been incorrectly completed and then adjust the District reimbursement affected by the error.

Management Response

Management stated the following:

Comments:

The switchover from the previously used Child Accounting Data (CAD) system to the current PIMS system resulted in a lack of understanding concerning the intricacies of the

coding issues. Transition time was needed for the data entry personnel to acquaint themselves with the new system. Issues concerning the proper coding that resulted in an underpayment of subsidy to the district have been identified and resolved.

Corrective Action:

Coding issues that were problematic have been identified and corrected. All corrections have been made on the school year(s) in question and will continue to be monitored moving forward. The District has also identified the internal controls needed that will prevent any future issues in this area. The student data entry will be completed by the school business office employee responsible for the entry; the student data will be reviewed for correctness by the Business Manager and questions concerning the enrollment status of a student will be directed to the Business Manager by the aforementioned employee. Finally, the Director of Technology and Information Services who is responsible for overseeing PIMS will verify any coding questions and/or concerns. Further, the employee who enters the data has and will continue to attend the annual conference on Attendance/Child Accounting Professional Association where updated information is provided concerning the child accounting system.

Finding No. 2

Possible Conflict of Interest

Criteria relevant to the finding:

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not make a required disclosure, the public cannot determine whether conflicts of interest exist. This in turn erodes the public's trust.

The Ethics Act (65 Pa. C.S § 1102) defines "conflict of interest" as follows:

Use of public official or public employee of the authority of his office or employment or any confidential information received though his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.

Section 324 (a) of the Public School Code provides, in part:

No school director shall, during the term for which he was elected or appointed, as a private person engage in any business transaction with the school district in which he is elected or appointed, be employed in any capacity by the school district in which he is elected or appointed, or receive from such school district any pay for services rendered to the district. (Emphasis added)

Our review of the Jim Thorpe Area School District (JTASD) records and the official board minutes of the meetings of the school board found a possible conflict of interest, where a board member may have engaged in prohibited conduct.

One of JTASD's board members is employed by one of their transportation contractors, as a bus driver. Although this is not prohibited, this member, during our audit years, served on the school board in 2010 as the president, and 2009 as the treasurer. The instance of the possible conflict of interest occurred when the board member, holding these positions, was an authorized check signer of the JTASD's funds. This member signed the checks for payment to the contracted bus company, in which he was employed.

The member was hired as a bus driver in August 2009. The school board approved bus contract addendums, at a board meeting held August 31, 2009, and the board member did not abstain from the vote.

Our examination of transportation contractor payments found that the school board member endorsed all checks of payment, during the 2009 and 2010 school years. Additionally, our review of the board member's 2010 Statement of Financial Interests form indicated that he had not listed the transportation contractor as an employer, or source of income.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The *Jim Thorpe Area School District* should:

1. Require that the JTASD strengthen controls regarding the review process of the State Ethics Commission financial disclosure statements, to help ensure detection of any potential conflicts of interest.
2. Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the school district, public disclosure of contracts awarded, and abstention from voting on contracts with a potential conflict of interest.

Management Response

Management stated the following:

Comments:

The management agrees that during the time the board member in question served as either President or Treasurer of the board, his signature facsimile appeared on all district issued checks. Management also agrees that the individual in question was employed by one of the district's bus contractors during the questioned time period. However, management disagrees that his signature on the checks was a possible conflict of interest since all checks are board approved and the board member did not sign nor did his signature appear on any checks issued by the district as a single signatory. Moreover, he did not vote on any transportation contract issue other than one involving bus monitors from which he derived no monetary gain. Additionally, the board member and the board as a whole were advised by the Jim Thorpe Board solicitor that his position as either President or Treasurer was not to be considered a conflict of interest.

Auditor Conclusion

This finding stands as written, since Section 324(a) of the Public School Code states that no school director shall, during the term for which he was elected or appointed, as a private person engaging in any business transaction with the school district in which he is elected or appointed. The Department of the Auditor General serves as a reporting agency to the State Ethics Commission. Therefore, any further discussion should be addressed with the State Ethics Commission.

Finding No. 3

Memorandums of Understanding with Local Law Enforcement Not Updated Timely

Public School Code and criteria relevant to the finding:

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and **biennially update and re-execute** a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . .”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools established within the Pennsylvania Department of Education. The term “biennially” means “an event that occurs every two years.”

Our audit found that the Memorandum of Understanding (MOU) between the Jim Thorpe Area School District (JTASD) and two police departments with jurisdiction over school property, setting forth agreed upon procedures to be followed, should an incident involving an act of violence or possession of a weapon occur on school property, was updated July 11 and 14, 2011. These MOUs were last updated February 11, 2009, therefore being untimely. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two years.

The failure to update MOUs with all pertinent police departments could result in a lack of cooperation, direction, and guidance between District employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Recommendations

The *Jim Thorpe Area School District* should:

1. In consultation with the District’s solicitor, continue to review, update and re-execute the MOU between the District and all the police departments having jurisdiction over school property.
2. In consultation with the District’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.

3. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the Pennsylvania Department of Education's Office of Safe Schools on a biennial basis as required by law.

Management Response

Management stated the following:

Comments:

The Director of Security and the Chair of the Crisis Committee of the Jim Thorpe School District have been notified about the critical need to keep all MOUs completed with all appropriate law enforcement agencies in a timely manner. The MOU with the Police Department must also be approved by the Borough Council and as such, this additional step requires that the document is delivered to account for any delays that may result from this procedure.

Corrective Action:

The Director of Security and the Crisis Committee will work together to develop a comprehensive timeline for all MOUs to ensure timely completion. The timeline will be given to the Superintendent to be approved no later than May 25, 2012.

Observation

Transportation Contractors Paid Significantly Over State Formula

Criteria relevant to the observation:

PDE's final formula allowance provides for a per vehicle allowance based on the year of manufacture of the vehicle chassis, the approved seating capacity, number of trips the vehicle operates, the number of days pupils transported, the approved daily miles driven, any excess hours and the greatest number of pupils transported. The final formula allowance is adjusted annually by an inflationary cost index.

The District receives the lesser of the final formula allowance for the vehicles or the actual amount paid to the contractor, multiplied by the District's aid ratio.

Our audit of the Jim Thorpe Area School District's (JTASD) transportation records for the 2009-10 and 2008-09 school years found that the JTASD paid two of its bus contractors significantly more than the state formula allowance calculated by the Pennsylvania Department of Education (PDE). This action may have resulted in unnecessary expenditure of taxpayer funds.

PDE prepares a final formula allowance for each school district, which it uses to determine reimbursement for transportation services. This allowance is based on a number of factors, including the approved daily miles driven, the age of the vehicles, and the greatest number of pupils transported. Each district then receives the lesser of the final formula allowance for the vehicles or the actual amount paid to the contractor, multiplied by its aid ratio.

The District paid two contractors significantly more than its calculated formula allowance. These amounts were as follows:

	<u>2009-10 School Year</u>		<u>Difference</u>
	<u>Contracted Cost</u>	<u>Final Formula Allowance</u>	
Contractor A	\$899,876	\$436,012	\$463,864
Contractor B	\$894,961	\$476,990	\$417,971
	<u>2008-09 School Year</u>		
Contractor A	\$815,346	\$363,173	\$452,173
Contractor B	\$922,979	\$409,096	\$513,883

The contract for Contractor A states the following:

The district shall pay the contractor for the 2009-10 school year the sum of One Hundred Sixty-six and 66/100 (\$166.66) per run for each bus utilized by the contractor. The cost for subsequent years would increase three percent a year until the termination date which is June 30, 2019.

The contract for Contractor B states the following:

The district shall pay the contractor for the 2009-10 school year the sum of One Hundred Sixty-six and 66/100 (\$166.66) per run for each bus utilized by the contractor. The cost for subsequent years would increase three percent a year until the termination date which is June 30, 2019.

The district paid Contractor A 2.25 times over state formula for the 2008-09 school year and 2.06 times over state formula for the 2009-10 school year. The district paid Contractor B 2.26 times over state formula for the 2008-09 school year and 1.88 times over state formula for the 2009-10 school year.

While bidding of pupil transportation service is not required under state law, competitive bidding can result in a lower cost to District taxpayers.

Since PDE provides a state allowance, we think it would be prudent for the JTASD to determine if this is the best way to spend taxpayer monies.

Recommendations

The *Jim Thorpe Area School District* should:

1. Consider bidding transportation contracts to determine if taxpayers would benefit from a more favorable contract for the District.
2. Be cognizant of the state's final formula allowance prior to negotiating transportation contracts.
3. Consider contracts of shorter duration without automatic yearly increases.

Management Response

Management stated the following:

Comments:

The management of the Jim Thorpe School District agrees with the observation that the district transportation contractors are paid significantly over the state formula. During the last contract extension discussions, the board committee investigated and obtained prices per run from outside area contractors. Costs were significantly higher

than the local contractors. The committee also contacted neighboring school districts and no other locally operated bus contractors were interested in providing service to the district. Additionally, the size and shape of the district (long and narrow and encompassing over 150 square miles) is a significant factor in the amount and range of the bus runs. Outlying developments are rather widespread thus increasing the amount of miles buses need to travel resulting in increased fuel costs which is a factor in the amount spent on transportation. In examining the worksheet provided by PDE to assess individual vehicle allowance, the age of the bus is taken into account in determining reimbursement. It should be noted that a significant number of buses utilized by one or both of the district's contractors, are older than the optimum reimbursement age of one to three years. The district has no control over this issue.

Corrective Action:

The district already utilizes Bus Tracks, which is a computer based bus routing program designed to keep accurate account of mileage for maximum reimbursement. The district will contract with Advanced Management Software, Inc. to develop a route analysis to determine the accuracy of the current routes and bus usage. After this is completed, the district will be assured that it is doing everything it is able to do to receive maximum state reimbursement.

Status of Prior Audit Findings and Observations

Our prior audit of the Jim Thorpe Area School District (JTASD) for the school years 2007-08 and 2006-07 resulted in one reported finding and two observations. The finding pertained to an Ethics Act hiring violation. The first observation pertained to vendor access to student accounting applications, while the second observation pertained to internal control weaknesses in administrative policies for bus driver qualifications. 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 JTASD Superintendent's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned JTASD personnel regarding the prior finding and observations. As shown below, we found that the JTASD did implement recommendations related to the Ethics Act and the internal control weakness in administrative policies for bus driver qualifications. In addition, JTASD implemented the first recommendation to the observation for vendor access to student accounting applications, and implemented the second recommendation in part.

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

Finding: **Ethics Act Hiring Violation**

Finding Summary: Our prior audit of JTASD records for the calendar year ended December 31, 2007, found that a board member resigned from the board on May 21, 2007, and was employed as the assistant director of transportation and coordinator of District security effective June 30, 2007 in violation of the Public School Code (PSC).

Recommendations: Our audit finding recommended that the JTASD:

1. Refer to Section 324 of the PSC to ensure that they are aware of its provisions.
2. Seek the advice of its solicitor in regard to the board's responsibility when hiring a former board member as an employee of the JTASD.

Current Status: During our current audit procedures we found that the JTASD did implement the recommendations.

Observation No. 1 Unmonitored IU System Access and Logical Access Control Weaknesses

Observation

Summary:

Our prior audit found that the JTASD uses software purchased from Carbon Lehigh Intermediate Unit #21 (CLIU) for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's software servers.

Recommendations:

Our audit observation recommended that the JTASD:

1. Establish separate information technology policies and procedures for controlling the activities of the CLIU and have the CLIU sign this policy, or the JTASD should require the CLIU to sign the JTASD's Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the CLIU, 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 JTASD should maintain a password history that will prevent the use of repetitive passwords (i.e., last ten passwords).

Current Status:

During our current audit procedures we found that the JTASD did implement the first recommendation, as well as most parts of the second recommendation. JTASD did not implement the recommendation to change their passwords every 30 days. We encourage the JTASD to implement the remaining recommendation.

Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation

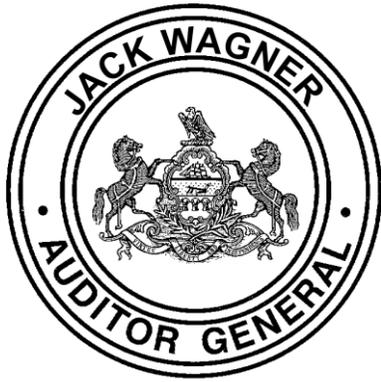
Summary:

Our prior audit found that the JTASD 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.

Recommendations: Our audit observation recommended that the JTASD:

1. Develop a process to determine on a case-by-case basis, whether prospective and current employees of the JTASD or the JTASD's transportation contractor 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 JTASD is notified when current employees of the JTASD or the JTASD's transportation contractor are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Current Status: During our current audit procedures we found that the JTASD did implement the recommendations.



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 Tom Corbett
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Commonwealth of Pennsylvania
Harrisburg, PA 17120

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