

LINE MOUNTAIN SCHOOL DISTRICT
NORTHUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. Troy Laudenslager, Board President
Line Mountain School District
185 Line Mountain Road
Herndon, Pennsylvania 17830

Dear Governor Corbett and Mr. Laudenslager:

We conducted a performance audit of the Line Mountain School District (LMSD) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period July 22, 2009 through August 22, 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 LMSD complied, in all significant respects, with applicable state laws, contracts, grant requirements and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

cc: **LINE MOUNTAIN 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 Line Mountain School District (LMSD). 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 LMSD in response to our prior audit recommendations.

Our audit scope covered the period July 22, 2009 through August 22, 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 LMSD encompasses approximately 155 square miles. According to 2000 federal census data, it serves a resident population of 8,975. According to District officials, in school year 2009-10 the LMSD provided basic educational services to 1,213 pupils through the employment of 110 teachers, 139 full-time and part-time support personnel, and 10 administrators. Lastly, the LMSD received more than \$8.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the LMSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings.

Finding No. 1: Child Accounting Reporting Errors. Our audit of child accounting reports submitted to the Department of Education for the 2009-10 school year found reporting errors (see page 6).

Finding No. 2: Failure to Develop Memorandums of Understanding with Local Law Enforcement and Memorandum of Understanding with State Law Enforcement Not Updated Timely. Our audit of the LMSD's records found that the LMSD failed to enter into a Memorandum of Understanding (MOU) between the LMSD and two local police departments having jurisdiction over school property. We also found that the MOU between the LMSD and the state police department with jurisdiction over school property has not been updated since June 3, 2008 (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the LMSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the LMSD had taken appropriate corrective action in implementing five out of six of our recommendations pertaining to our observation on unmonitored outside vendor system access (see page 10).



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 July 22, 2009 through August 22, 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 statute, 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 LMSD'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?
- ✓ 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, 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 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.

LMSD 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.

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, pupil membership records, and reimbursement applications.

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

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

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

Resident, nonresident, and vocational education membership data must be maintained in accordance with DE guidelines and instructions, since they are major factors in determining the district's subsidies and reimbursements.

Child Accounting Reporting Errors

Our audit of child accounting reports submitted to the Department of Education (DE) for the 2009-10 school year found reporting errors. District personnel inaccurately reported the number of days in session. The inaccurate reporting resulted from District personnel failing to reconcile preliminary data reports from DE which resulted in incorrect data being reported on the Final Summary of Child Accounting Membership Report.

We found that the days in session were not correctly reported for the three elementary schools and the junior/senior high school. The District reported that the days in session for two of the elementary schools and the junior/senior high school was 170 days when in fact it was 176 days. Also the District reported that the days in session for the other elementary school were 170 when in fact it was 175 days. The District's average daily membership was overstated by 30.830. The subsidy could not be adjusted since the applicable basic education funding and special education funding reports were not available at the time of audit.

The errors were due to District personnel failing to correctly record the correct instructional days lost due to other (snow) and instructional days made up.

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

Recommendations

The *Line Mountain School District* should:

1. Establish review procedures that include reconciliations of the data that is uploaded into DE's Pennsylvania Information Management System.
2. Verify that the preliminary reports from DE are correct and if not correct, revise and resubmit child accounting data so that the final reports from DE are correct.

The *Department of Education* should:

3. Revise all reports that have been incorrectly reported and recalculate all District subsidies and aid ratios that have been affected by the errors.

Management Response

Management stated the following:

As per the audit review conference discussion, Line Mountain SD will now have the Business Office review the summary of child accounting preliminary report before Line Mountain Director of Technology sends the final report.

Finding No. 2 →

Failure to Develop Memorandums of Understanding with Local Law Enforcement and Memorandum of Understanding with State 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 within the Department of Education. The term “biennially” means “an event that occurs every two years.”

Prior to enactment of additional MOU requirements on November 17, 2010, all public schools were required to develop a memorandum of understanding with local law enforcement.

Our audit of the District’s records found that the District failed to enter into a Memorandum of Understanding (MOU) between the District and the two local police departments having jurisdiction over school property.

We also found that the MOU between the District and the state police with jurisdiction over school property has not been updated since June 3, 2008. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two years.

The failure to enter into or update a MOU 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 have a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Moreover, recently enacted amendments to the safe schools provisions of the Public School Code expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with DE’s Office of Safe Schools on a biennial basis. Consequently, future failure to develop a MOU will result in non-compliance with additional MOU requirements enacted November 17, 2010.

On June 28, 2011, during our current audit, we received fully executed MOUs between District personnel and personnel from their local police departments. We also received an updated and re-executed MOU between District personnel and personnel from the state police.

Recommendations

The *Line Mountain School District* should:

1. In consultation with the District's solicitor, continue to review, update and re-execute the current MOUs 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 DE's Office of Safe Schools on a biennial basis as required by law.
4. All MOUs should name the school building that they have jurisdiction over rather than the District as a whole.

Management Response

Management stated the following:

Management would like to document all three are complete & updated now.

Status of Prior Audit Findings and Observations

Our prior audit of the Line Mountain School District (LMSD) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to unmonitored outside vendor system access. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the LMSD did implement recommendations related to the main weaknesses related to the outside vendor system access observation.

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

Observation: **Continued Unmonitored Intermediate Unit System Access and Logical Access Control Weaknesses**

Observation

Summary:

Our prior audit found that the LMSD continues to use software purchased from the Central Susquehanna Intermediate Unit # 16 (CSIU) for its critical student accounting application (membership and attendance). The CSIU continues to have remote access into the LMSD's network servers.

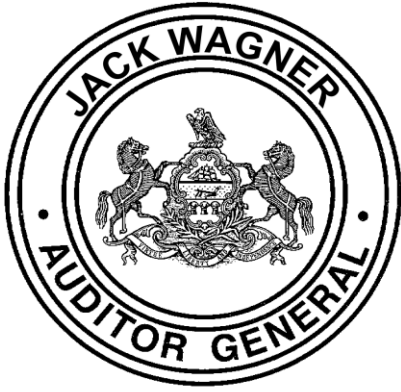
Recommendations: Our audit observation recommended that the LMSD:

1. Develop and maintain a written information technology (IT) security policy and ensure that all employees are aware of this policy.
2. Establish separate IT policies and procedures for controlling the activities of the CSIU and have the CSIU sign this policy, or the LMSD should require the CSIU to sign the LMSD's Acceptable Use Policy.
3. Implement a security policy and system parameter settings to require all users, including the CSIU 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 LMSD should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
4. Require the CSIU to assign unique userIDs and passwords to vendor employees authorized to access the LMSD system. Further, the LMSD should obtain a list of CSIU employees with access to its data and ensure that changes to the data are made only by authorized CSIU representatives.

5. Upgrade the remote access software to the most current version of the remote access software.
6. Provide documentation e.g., screen shots that evidence the remote access software security features are enabled.

Current Status:

During our current audit procedures we found that the LMSD did take corrective action to address the main weaknesses over CSIU access into the LMSD's system. The LMSD corrected five out of six weaknesses listed in the prior audit report. However, they failed to develop and maintain a written IT security policy and ensure that all employees are aware of this policy. We recommend that they develop and maintain a written IT security policy and ensure that all employees are aware of this policy.



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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