

MECHANICSBURG AREA SCHOOL DISTRICT
CUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Ms. Dawn Merris, Board President
Mechanicsburg Area School District
100 East Elmwood Avenue, 2nd Floor
Mechanicsburg, Pennsylvania 17055

Dear Governor Rendell and Ms. Merris:

We conducted a performance audit of the Mechanicsburg Area School District (MASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 9, 2007 through July 23, 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, 2007, 2006, and 2005. 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 MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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 MASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 29, 2010

cc: **MECHANICSBURG 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 Mechanicsburg Area School District (MASD). 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 MASD in response to our prior audit recommendations.

Our audit scope covered the period January 9, 2007 through July 23, 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, 2006-07, 2005-06 and 2004-05.

District Background

The MASD encompasses approximately 16 square miles. According to the 2000 federal census data, it serves a resident population of 25,901. According to District officials, in school year 2007-08 the MASD provided basic educational services to 3,687 pupils through the employment of 297 teachers, 208 full-time and part-time support personnel, and 25 administrators. Lastly, the MASD received more than \$9.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Finding: Memoranda of Understanding Not Updated Timely. Our audit of the MASD's records found that the Memoranda of Understanding (MOU) between the MASD and all of its law enforcement agencies were last signed in November 2006 and have not been updated as required by the MOU (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the MASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the MASD had taken appropriate corrective action in implementing our recommendations pertaining certification (see page 6) and information technology (see page 7).



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 January 9, 2007 through July 23, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 MASD'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:

- ✓ 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 take appropriate corrective action to address recommendations made in our prior audits?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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.

MASD 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.

Our audit examined the following:

- Records pertaining to professional employee certification and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 5, 2007, we reviewed the MASD's response to DE dated January 13, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Memoranda of Understanding Not Updated Timely

Criteria relevant to the finding:

The District's current MOU with its local law enforcement agencies at Section VII, B states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (emphasis added)

Our audit of the District's records found that the Memoranda of Understanding (MOU) between the District and all of its law enforcement agencies (Mechanicsburg, Upper Allen Township, and Shiremanstown police departments) were last signed November 20, 2006.

The failure to update the MOU with the local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

The District's safety coordinator stated that he was aware that the Pennsylvania Emergency Management Agency was going to release school emergency planning information which could affect the MOU format. Since these new regulations were released July 2, 2009, the District intends to draft a new MOU.

Recommendations

The *Mechanicsburg Area School District* should:

1. Follow the General Provisions of the District's MOU Section VII, B.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

Management Response

Management stated the following:

The Memorandum of Understanding will be renewed in November 2009.

Status of Prior Audit Findings and Observations

Our prior audit of the Mechanicsburg Area School District (MASD) for the school years 2003-04 and 2002-03 resulted in one finding and one observation. The finding pertained to a certification deficiency, and the observation pertained to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the MASD 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 MASD did implement recommendations related to the certification deficiency and the unmonitored vendor system access and logical access control weaknesses.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> 1. Ensure that individuals are properly certified for assignments prior to employment. 2. Require the individual cited to obtain proper certification or reassign her to a position for which she is properly certified. 3. DE should take action to recover the appropriate subsidy forfeitures. 	<p>Background:</p> <p>Our prior audit of professional employees’ certification for the period July 3, 2003 to January 4, 2007, found that one teacher was not properly certified for her assignment as an elementary English as a Second Language teacher.</p>	<p>Current Status:</p> <p>Our current audit found that the individual received the appropriate certification for the 2007-08 school year.</p> <p>Additionally, the District implemented procedures consistent with our recommendations during the 2006-07 school year.</p> <p>DE deducted subsidy forfeitures of \$10,907 from the District’s allocations on May 30, 2008.</p>

<p><u>II. Observation:</u> <u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on the District's 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. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, we recommend that the District obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives. 3. Require vendor and District employees to sign and abide by the Acceptable Use Policy in place at the District. 4. The District's Acceptable Use Policy should include provisions for authentication (i.e., password security and syntax requirements). 	<p>Background:</p> <p>The MASD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). We determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide evidence that it is adequately monitoring vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that the MASD implemented procedures consistent with our recommendations in January 2009.</p>
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<p>5. Enable remote access software only when the vendor needs access to make pre-approved changes to the system. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.</p> <p>6. Upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.</p> <p>7. Develop a written policy to assign, reinstate, change or revoke physical access privileges to the location that contains the server that houses the membership/attendance data. We also suggest the District maintain a list of employees with access to the above location.</p> <p>8. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days) and be locked out of the system after three invalid access attempts.</p> <p>9. 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.</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:

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