

MUHLENBERG SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2009

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

Mr. Otto Voit, Board President
Muhlenberg School District
801 Bellevue Avenue Laureldale
Reading, Pennsylvania 19605

Dear Governor Rendell and Mr. Voit:

We conducted a performance audit of the Muhlenberg School District (MSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 21, 2005 through September 12, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, as they were the most recent reimbursements subject to audit. 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 MSD 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. 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 finding, observation, and recommendations have been discussed with MSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

April 7, 2009

cc: **MUHLENBURG 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 Muhlenberg School District (MSD). 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 MSD in response to our prior audit recommendations.

Our audit scope covered the period September 21, 2005 through September 12, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The MSD encompasses approximately 13 square miles. According to 2000 federal census data, it serves a resident population of 20,064. According to District officials, in school year 2005-06 the MSD provided basic educational services to 3,293 pupils through the employment of 235 teachers, 165 full-time and part-time support personnel, and 25 administrators. Lastly, the MSD received more than \$6.6 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the MSD 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 and one matter unrelated to compliance that is reported as an observation.

Finding: Weak Internal Controls Regarding Transportation Operations.

We determined that ten deficiencies existed in the processes used by management during the 2005-06 and 2004-05 school years to obtain and process transportation data. These deficiencies resulted in non-compliance with Department of Education's (DE) reporting guidelines, inaccurate data reported to DE for reimbursement, and a lack of assurance all payments made to their transportation contractor were made in accordance with the contracts. We made several recommendations and MSD is in agreement with nine of the deficiencies (see page 7).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses.

We determined that a risk exists that unauthorized changes to the MSD's child accounting data could occur and not be detected because the MSD was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. Ten weaknesses were noted in the MSD's information technology internal control policies and procedures. We made several recommendations and MSD is in agreement with six of the weaknesses (see page 13).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the MSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the MSD had taken appropriate corrective action in implementing our recommendations pertaining to both certification and Statements of Financial Interests (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 September 21, 2005, through September 12, 2008, except for the verification of professional employee certification which was performed for the period August 25, 2005 to August 6, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 MSD'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 reimbursements based on pupil membership (e.g. basic education, special education, and vocational

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.

education), did it follow applicable laws and procedures?

- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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?
- ✓ 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.

MSD 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.

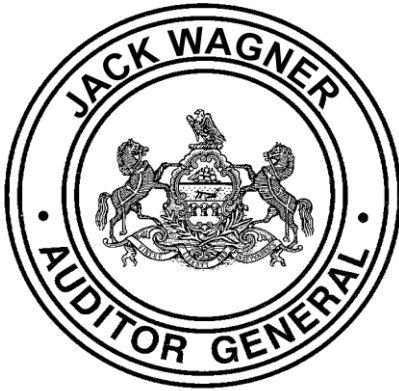
In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

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.
- Deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 19, 2005, we reviewed the MSD's response to DE dated April 12, 2006. We then performed additional audit procedures targeting the previously reported matters.



Findings and Observations

Finding

Weak Internal Controls Regarding Transportation Operations

DE instructions for the completion of end-of-year transportation reports address shared service, number of days, pupil weighted averaging, and pupil seating capacity as follows:

Shared Service – If a vehicle’s service was shared with another school district, IU [intermediate unit] or AVTS [area vocational-technical school], each LEA reports the “Pupils Assigned”, “Daily Miles With”, “Days Miles Without” and “Number Days” *as if only its students were served* by the vehicle.

Number of Days – Report the number of days (a whole number) this vehicle provided to and from school transportation . . . Only days on which transportation was actually provided may be reported.

Weighted Average Method (Changes to Number Pupils) – The LEA must maintain records of the greatest Number of Pupils Assigned to ride at any one time for each vehicle.

Pupil Seating Capacity – Report the vehicle passenger capacity (excluding the driver). If the vehicle was altered to provide wheelchair space, enter either the original passenger capacity (if known) or the number of passenger seats, counting each wheelchair space as four.

Our review of transportation operations for the 2005-06 and 2004-05 school years found weak internal controls which resulted in inaccurate transportation data (mileage, pupil counts, number of days vehicles provided transportation and contractor costs) reported to the Department of Education (DE) for reimbursement. The weak internal controls resulted in the following ten issues:

1. The District’s contractor provided the District with summary sheets for specialty runs (the District’s term for runs outside of District borders) to report mileage and pupil data to DE for reimbursement. However, the District never obtained the source documents from its contractor until our audit request to verify the accuracy of the summary sheets for the 2005-06 and 2004-05 school years.
2. The District’s contractor did not accurately compute mileage (with and without students) for specialty runs in accordance with DE’s end-of-year instructions when a contracted vehicle was used to transport students for more than one local education agency (LEA). This error resulted in inaccurate mileage reported to DE for the 2005-06 and 2004-05 school years.
3. When computing mileage (with and without students) for specialty runs the District’s contractor incorrectly divided total miles with and without students by the total days the vehicle was used for all purposes, instead of the total days the vehicle was used to transport students, for both audited school years.
4. The District could not reconcile the days billed by the contractor for specialty runs with District documentation to support actual days transportation was provided for specialty runs for the 2005-06 school year.
5. The District incorrectly reported the seating capacity for five vehicles for the 2005-06 school year.

6. The “Time and Mileage” reports (odometer readings) used by the District to report mileage data contained unexplained variances and/or missing data for several vehicles tested for the 2005-06 and 2004-05 school years.
7. The District incorrectly reported the number of days vehicles were used to transport kindergarten students when there were early dismissals for the 2005-06 school year. Spare vehicles were used to make a second run for the day; instead of reporting the spare vehicle and its mileage, the District added an additional day for the vehicle which made the first run.
8. The District could not provide copies of the contracts for two specialty runs (each run had its own contract) for the 2005-06 school year.
9. The District incorrectly computed pupil counts reported to DE. Personnel computed a pupil average for each of the runs the vehicle made for the 2005-06 school year, however DE’s instructions state the highest pupil count for any one run should be used to determine the pupil count for each vehicle.
10. District personnel could not provide evidence that they reconciled daily rates the District was billed for both regular and specialty runs to the contracts for the 2005-06 school year.

The weak internal controls existed due to the District’s failure to:

1. Obtain source documents for mileage and pupil data from the contractor.
2. Establish reconciliation procedures to verify the accuracy of mileage and pupil data provided by the contractor to source documentation, prior to submission of reports to DE.
3. Obtain an understanding of DE’s reporting guidelines when reporting mileage data for vehicles which are shared with other LEA’s.
4. Establish reconciliation procedures to verify the accuracy of bills submitted to the District by the

contractor for the number of days the vehicle was used and daily rate to be charged per contract.

5. Establish reconciliation procedures to ensure the seating capacity for all vehicles agreed with the seating capacity provided by the contractor on the vehicle listing prior to submission to DE.
6. Ensure that odometer readings, which were used to report mileage, were complete and accurate.
7. Obtain an understanding of DE's reporting guidelines regarding the number of days a vehicle is used and pupil weighting procedures.
8. Obtain and retain contracts for two specialty runs.

An attempt was made to obtain the necessary source documentation to address the errors in reporting mileage data for vehicles shared with another LEA. However, the contractor was not aware of the requirement to report mileage to each LEA based on each LEA's students, and thus never obtained the required data necessary for us to adjust the mileage errors.

In addition, time and mileage reports used to report mileage had unexplained variances and missing data that resulted in our inability to adjust mileage.

Mileage, pupil counts, the number of days vehicles provided transportation and contractor costs are key components of the state formula used to reimburse the District for transportation operations.

Because not all of the reporting errors could be recalculated, transportation data could not be adjusted. Therefore, we could not determine any monetary effect to the District's transportation subsidy.

Recommendations

The *Muhlenberg School District* should:

1. Obtain original source documents from the contractor for mileage and pupil data which is reported to DE.
2. Review source documents provided by the contractor.

3. Reconcile days billed by the contractor to an independent document maintained by the District to identify days in which transportation was provided.
4. Ensure contracts are obtained and retained for each vehicle that requires a contract.
5. Review invoices generated by the contractor for accuracy.
6. Require appropriate personnel to familiarize themselves with DE end-of-year transportation report instructions, including requirements for reporting vehicle data for shared service, mileage, pupil data, the number of days transportation was provided and seating capacity for each vehicle, to ensure accuracy before reporting the data to DE.

Management Response

Management agreed with 9 of the 10 issues noted in the finding and stated:

[Issue #1 (Agreed)] – Problem occurred because of misunderstanding how shared services should be calculated. It was not a function of weak internal controls. Sample averaging for miles traveled with and without students will be conducted in accordance with PDE instructions and accomplished on the first working Tuesday of each month from October through May.

[Issue #2 (Agreed)] - Again, as mentioned in the previous response, there were misunderstandings. We are now clear on the proper approach of tracking our specific students within a shared service vehicle.

[Issue #3 (Agreed)] – We will make it our practice to obtain all back-up or source documents from the IU at invoicing. As is currently underway, source documents will be checked, verified and used when assembling data for the State reporting.

[Issue #4 (Agreed)] – There may be times when the vendor will incur legitimate costs, billable to the School District, when actual transportation does not occur; e.g., cancellation due to snow or inclement weather or when a special needs bus arrives at a residence and the child is not attending school that day. Billings will clearly annotate and explain contractual circumstances requiring payment when

transportation services are not provided. The District's transportation coordinator will validate its legitimacy.

[Issue #5 (Agreed)] – It is difficult to comment since buses were not identified. It's highly probable that information was transcribed incorrectly thus the error in reporting. With special needs busing, there could be a question of seating capacity if wheel chairs are in use or not. Documents will be proofread by another staff member prior to PDE submission.

[Issue #6 (Agreed)] – It appears the T & M [time and mileage] reports may have been done in haste due to a lack of structure. To counteract that possibility, all measurements will be taken on the first working Monday of the month from October through May and submitted with the invoicing for the month. Accuracy will be a requisite for payment.

[Issue #7 (Agreed)] – It may be possible due to circumstances requiring additional busing; e.g., if double duty buses are delayed for whatever reason, added busing may be called-in to pick-up stranded or remaining students. Again, it is incumbent upon the vendor to note and verify that such costs did occur and additional billing is contractually appropriate under the circumstances. The District's transportation coordinator will validate its legitimacy.

[Issue #8 (Agreed)] – Complete transportation contracts will be kept on file in the transportation office.

[Issue #9 (Agreed)] – Again, we have another misunderstanding, not an issue of weak internal controls. The error is minor and impacts our non-reimbursable deduction in the State's favor. The comment is noted and "pupil weighting" will be calculated as stated.

[Issue #10 (Disagreed)] – Can't agree with this comment. There might have been an error in oversight but as a matter of practice, vendor rates are verified at invoicing.

Auditor Conclusion

Regarding Issue #10, based on our review of the March 2006 invoice, there was no evidence of a reconciliation procedure for day or rate verification. Our follow-up conversations with transportation personnel noted there was no verification procedure for day or rate

verification during the 2005-06 school year. Since the District could not provide copies of two contracts and a subsequent request for documentation to support a reconciliation procedure failed to produce the documentation, our issue #10 stands as presented.

Observation

Unmonitored Vendor System Access and Logical Access Control Weaknesses

What is logical access control?

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

The Muhlenberg School District uses software purchased from the Berks County Intermediate Unit #14 (BCIU) 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 BCIU’s servers which are physically located at the BCIU. The District has remote access into the BCIU’s network servers, with the BCIU providing system maintenance and support.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the District’s data could occur and not be detected because the District was unable to provide supporting evidence that it is adequately monitoring all activity in its system. Additionally, the District lacks sufficient manual compensating controls to verify the integrity of the membership and attendance information in its database. Since the District does not have adequate manual compensating controls in place, the risk of unauthorized changes is increased.

Best practices in information technology (IT) security include: limiting access to authorized users; ensuring individual accountability for actions; managing vendor services; monitoring the system to ensure integrity of key databases and applications; regulating changes to software; restricting physical access; implementing and maintaining minimum environmental controls; and planning for contingencies.

Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the District’s membership information and result in the District not receiving the funds to which it was entitled from the state.

During our review, we found the District had the following weaknesses, over vendor access to the District’s system:

1. The contract between the BCIU and the District does not contain a nondisclosure agreement for the District’s proprietary data. Also, a separate nondisclosure agreement could not be located.

2. The District's acceptable use policy (AUP) does not address authentication in terms of password syntax requirements.
3. BCIU employees with access to the District's system are not required to sign the District's AUP. Additionally, there are no written policies or procedures controlling the activities of the vendor.
4. There is no procedure in place to ensure terminated employees are removed from the system. District personnel acknowledge there is a time delay between termination of employment and deletion from the system.
5. There is no requirement to change passwords at least every 30 days. Passwords are changed every 90 days.
6. Minimum password length is not at least eight characters consisting of alpha, numeric and special characters. Minimum password length is seven characters consisting of at least three out of four of the following: capital or lower case letter, number or special character. Also, the user account name cannot be part of the password.
7. A password history of at least ten passwords is not maintained. Only three passwords are remembered.
8. The BCIU has open access to the system. Notification and approval by District administration is not required.
9. A log of BCIU activity (server log) is not being generated or reviewed by District personnel.
10. The District lacks sufficient documented manual compensating controls that would alert the District to unauthorized changes in its membership/attendance data.

Recommendations

The *Muhlenberg School District* should:

1. Include in its contract with the BCIU a non-disclosure agreement for the District's proprietary information.

2. Ensure that the District's AUP addresses authentication in terms of password syntax requirements.
3. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the BCIU sign this policy, or the District should require the BCIU to sign the District's AUP.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. 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). Passwords should be a minimum length of eight characters and include alpha, numeric and special characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
6. Allow access to its system only when the BCIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the BCIU has completed its work. This procedure would also enable the monitoring of BCIU changes.
7. Generate monitoring reports of BCIU 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.
8. To mitigate IT control weaknesses, have compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Management Response

Management agreed in part and disagreed in part with the observation, and stated:

[Issue 1 (Agreed)] – The district has asked the Berks County IU to provide a non-disclosure addendum to the current contract. The BCIU has agreed to draft a non-disclosure agreement.

[Issue 2 (Agreed)] – The district will revise its Acceptable Use Policy to reflect the current minimum parameters for password authentication for the student management system.

[Issue 3 (Agreed)] – The district has provided the Berks County IU with a copy of the district’s acceptable use policy and asked that employees with access to the district’s data sign and return a copy. The BCIU has forwarded our AUP to the Assistant Executive Director for his review.

[Issue 4 (Agreed)] – The district will implement a procedure in which the IT department will be informed of any termination of employees when it occurs instead of waiting for the board agenda.

[Issue 5 (Disagreed)] – The district believes the current settings are sufficient and that increased restrictions would lead to a greater opportunity for problems.

[Issue 6 (Disagreed)] – The district believes the current settings are sufficient and that increased restrictions would lead to a greater opportunity for problems.

[Issue 7 (Disagreed)] – The district believes the current settings are sufficient and that increased restrictions would lead to a greater opportunity for problems.

[Issue 8 (Agreed)] – The district has asked the Berks County IU to provide verbal or electronic notification to the district when accessing their student information. The IU has declined and countered that they will investigate the creation of an audit dump of the district’s attendance data that can be executed by the district liaison on a periodic basis and show all updates and transactions that took place for students within the district.

[Issue 9 (Disagreed)] – The district does not believe viewing the [BCIU's] activity log is of any benefit or significant value to the district.

[Issue 10 (Agreed)] – The district will implement procedures in which quarterly:

Daily attendance logs are reconciled against the student management system.

Alternate placement forms are reconciled against the student management system.

Auditor Conclusion

Due to the sensitive nature of the data in the Student Information System, we continue to recommend the logical access settings detailed above. The District should consider password changes after 30 days, passwords should be a minimum length of eight characters and include alpha, numeric, and special characters, and the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords). In addition, a log of BCIU activity (server log) should be generated and reviewed by District personnel.

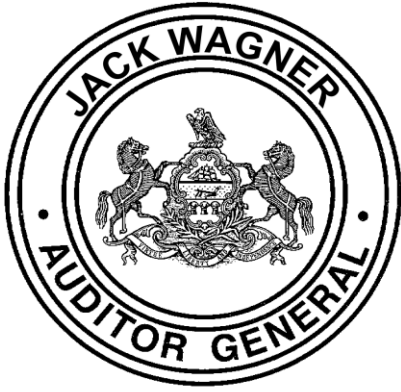
Status of Prior Audit Findings and Observations

Our prior audit of the Muhlenberg School District (MSD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in two reported findings. The first finding pertained to certification, and the second to Statements of Financial Interests. As part of our current audit, we determined the status of corrective action taken by the MSD to implement our prior recommendations. We analyzed the MSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned MSD personnel regarding the prior findings. As shown below, we found that the MSD implemented recommendations related to both the certification and Statements of Financial Interest findings.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1 – Certification Irregularity</i></u></p> <ol style="list-style-type: none"> 1. Upon receipt of the Bureau of School Leadership and Teacher Quality’s (BSLTQ) response regarding determination of the irregularity, take the necessary action required to ensure compliance with certification regulations. 2. Implement procedures to track years of service for all individuals who are not permanently certified. 3. If the BSLTQ confirms the irregularity, DE should adjust the District’s allocations to recover any subsidy forfeiture that may be levied. 	<p>Background:</p> <p>Our prior audit found one individual with a lapsed temporary certificate. MSD management provided a response agreeing with the finding. DE upheld the citation and levied a \$6,023 subsidy forfeiture, which was recovered in June of 2006.</p>	<p>Current Status:</p> <p>The individual in question received permanent certification in August of 2004. Our review of the District’s procedures for tracking years of service during the 2007-08 school year found that current personnel responsible for tracking years of service tracks service with the MSD only. Although the current audit did not find any irregularities, the District should implement procedures to track total years of service in all local education agencies in Pennsylvania.</p>

<u><i>II. Finding No. 2 – Board</i></u>	Background:	Current Status:
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<p><u>Members Failed to File Statement of Financial Interests Forms</u></p> <ol style="list-style-type: none"> 1. Seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. 	<p>A total of seven board members failed to file Statements of Financial Interests during the years 2004, 2003, 2002 and 2001. Management provided a response agreeing with the finding. At the time of our prior audit, management stated that board members were called several times but not all complied with management's request for the forms. Management stated that it would continue to work with board members to comply with the Ethics Act.</p>	<p>Our current audit found that the District implemented procedures to encourage all board members to file Statements of Financial Interests as required by May 1st of each year for the preceding year, as follows:</p> <ul style="list-style-type: none"> • provide board members a form for completion by February 1st. • if the first form is not received, a second form is provided to the member for completion by April 1st. • if the second form is not completed by the third week in April, a phone call is made to remind the member of the May 1st deadline to file their statement. <p>Our current review nevertheless found that one member failed to file in 2007 and another member filed late in 2006. We have forwarded this information to the State Ethics Commission for additional review and investigation as it deems necessary.</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
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

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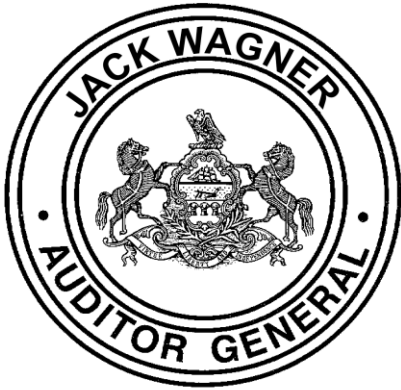
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