

NORTH SCHUYLKILL SCHOOL DISTRICT
SCHUYLKILL COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Ms. Robin Hetherington, Board President
North Schuylkill School District
15 Academy Lane
Ashland, Pennsylvania 17921

Dear Governor Corbett and Ms. Hetherington:

We conducted a performance audit of the North Schuylkill School District (NSSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period December 12, 2008 through July 28, 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, 2009, 2008 and 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the NSSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the NSSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 11, 2012

cc: **NORTH SCHUYLKILL 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 North Schuylkill School District (NSSD). 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 NSSD in response to our prior audit recommendations.

Our audit scope covered the period December 12, 2008 through July 28, 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, 2008-09, 2007-08, and 2006-07.

District Background

The NSSD encompasses approximately 58 square miles. According to 2000 federal census data, it serves a resident population of 16,681. According to District officials, in school year 2009-10 the NSSD provided basic educational services to 2,009 pupils through the employment of 153 teachers, 115 full-time and part-time support personnel, and 14 administrators. Lastly, the NSSD received more than \$11.7 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the NSSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the NSSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the NSSD had taken appropriate corrective action in implementing our recommendations pertaining to the lack of Memorandums of Understanding. Furthermore, we found that the NSSD had taken appropriate corrective action in implementing four of our five recommendations pertaining to their unmonitored vendor system access and logical access control weaknesses. A verbal comment was issued to address the one recommendation (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 December 12, 2008 through July 28, 2011.

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 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 NSSD'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?
- ✓ 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, 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

NSSD 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2011. We performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the North Schuylkill School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the North Schuylkill School District (NSSD) for the school years 2005-06 and 2004-05 resulted in two observations. The first observation pertained to the lack of Memorandums of Understanding, and the second 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 performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the NSSD did implement recommendations related to the lack of Memorandums of Understanding. Furthermore, we found that the District had taken appropriate corrective action in implementing four of our five recommendations pertaining to unmonitored vendor system access and logical access control weaknesses. A verbal comment was issued to address the one recommendation.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation No. 1: Memorandums of Understanding Not Updated Timely

Observation

Summary:

Our prior audit of the NSSD's records found that the current Memorandums of Understanding between the NSSD and two police departments signed May 13, 2002 and September 23, 1998, had not been updated.

Recommendations:

Our audit observation recommended that the NSSD:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOUs between the District and the police departments.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status:

During our current audit procedures, we found that the NSSD did implement the recommendations.

Observation No. 2: Unmonitored IU System Access and Logical Access Control Weaknesses

Observation

Summary:

Our prior audit noted that NSSD personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over intermediate unit (IU) access to the student accounting applications.

Recommendations:

Our audit observation recommended that the NSSD:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. The District's Acceptable Use Policy should include provisions for authentication (password and syntax requirements).
3. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the IU sign this policy, or the District should require the IU to sign the District's Acceptable Use Policy.
4. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
5. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

Current Status:

During our current audit procedures we found that the NSSD had taken appropriate corrective action in implementing four of our five recommendations. The District did not implement our recommendation for establishing policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions. A verbal comment was issued to address the remaining recommendation. We will follow-up on the status of the remaining recommendations during our next audit.

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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