



**OLEY VALLEY SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**OCTOBER 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

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

Mr. Robert Heckman, Board President  
Oley Valley School District  
17 Jefferson Street  
Oley, Pennsylvania 19547

Dear Governor Corbett and Mr. Heckman:

We conducted a performance audit of the Oley Valley School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period December 4, 2009 through April 23, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found significant noncompliance with relevant requirements, as detailed in the two audit findings within this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

The District's Superintendent informed us during the entrance conference that during the 2011-12 school year, the District experienced fraud involving ACCESS funds, which are passed through the Department of Public Welfare (DPW). The Superintendent also reflected this incident in the District's Letter of Representation. The fraud included the falsifying of special education reports, which resulted in an increase in the District's state subsidy. In addition, the District submitted bills for these false services to the School-Based ACCESS Program and was subsequently reimbursed for nonexistent expenses. When the District's administrative staff identified these fraudulent activities, they met with the District's solicitor to discuss how to proceed. Furthermore, the District's Superintendent contacted the Pennsylvania Department of Education (PDE) to discuss the situation and was advised by PDE to contact DPW and officially report the fraud in a self-disclosure statement. As of September 14, 2012, DPW was sending the pertinent documents and information regarding the District's fraud to the Attorney General's Office (AGO)/Medical Fraud Unit. Based on these materials, the AGO will then determine whether the District's actions were fraudulent. As of October 2013, the AGO had not made a final determination. However, according to District Officials, the AGO informed them that if restitution was necessary, it would be for an amount between \$10,000 and \$12,000.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

October 30, 2013

cc: **OLEY VALLEY SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Oley Valley School District (District). Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period December 4, 2009 through April 23, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2008-09 and 2009-10 school years.

### **District Background**

The District encompasses approximately 65 square miles. According to 2010 federal census data, it serves a resident population of 13,219. According to District officials, the District provided basic educational services to 1,936 pupils through the employment of 168 teachers, 126 full-time and part-time support personnel, and 10 administrators during the 2009-10 school year. Lastly, the District received \$7.7 million in state funding in the 2009-10 school year.

### **Audit Conclusion and Results**

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the two compliance related matters reported as findings and one observation within this report.

**Finding No. 1: Lack of Internal Controls Resulted in Membership Reporting Errors and a Reduction in the District's State Education Reimbursement.** Our audit of the Oley Valley School District's 2009-10 school year pupil membership reports found reporting errors, as well as a lack of internal controls over the integrity of its membership and attendance data (see page 6).

**Finding No. 2: District Paid Its Former Assistant Superintendent \$30,400 In Benefits That Were Not Contractually Required.** The Oley Valley School District's (District) former Assistant Superintendent retired from the District, effective August 27, 2010. As part of her final retirement package, she was paid for her unused vacation days at a per diem rate, which was a violation of her contract. In addition, she received a benefits waiver for the 2009-10 school year and part of the 2010-11 school year (see page 10).

**Observation: The District Financed Some of its Debt with Interest-Rate Management (“Swap”) Agreements.** On

September 29, 2004, the Oley Valley School District (District) entered into a swap agreement related to its issuance of \$21,335,000 (currently issued and outstanding), Series A 2002, variable rate general obligation bonds. The District terminated a portion of the swap agreement effective April 10, 2012. However, a \$6,518,000 termination fee resulted from this decision (see page 13).

**Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the Oley Valley School District (District) audit released on September 1, 2010, we found that the District had still only taken partial corrective action in implementing our recommendations pertaining to a finding on its student accounting applications (see page 15).

# Audit Scope, Objectives, and Methodology

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## Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 4, 2009 through April 23, 2013, except for the verification of professional employee certification which was performed for the period October 14, 2009 through June 13, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 school years.

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 District's compliance with certain relevant 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 received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the District received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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 did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the District take 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 of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?



## 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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 1, 2010, which pertained to the 2003-04 and 2002-03 school years, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1 →

### **Lack of Internal Controls Resulted in Membership Reporting Errors and a Reduction in the District's State Education Reimbursement**

*Criteria relevant to the finding:*

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education (PDE) guidelines and instructions, since this is a major factor in determining the District's subsidies and reimbursements.

According to PDE's *2009-10 Pennsylvania Information Management System User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. The Pennsylvania Information Management System 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; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using data that the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Moreover, with a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of the Oley Valley School District's (District) 2009-10 school year pupil membership reports found data errors caused by a lack of proper internal controls. District personnel inaccurately reported the District's membership for children placed in private homes (foster children). The District failed to catch this error because personnel did not reconcile preliminary membership reports from PDE with the data in its Student Information System (SIS). In addition, District personnel misunderstood the PIMS guidelines for reporting non-resident students including foster children. These errors resulted in a \$29,290 reduction in the District's state reimbursement for non-resident students.

*Criteria relevant to the finding (continued):*

Additionally, according to the *Federal Information Systems Control Manual*, 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.

In addition to these specific reporting errors, our review of the District's attendance and membership data for the 2009-10 school year found controls over data integrity could be strengthened. These control weaknesses included:

1. ***Inadequate Verification of Registration Data:*** Our audit found that the District did not have an effective process for cross checking registration data before it was uploaded into the PIMS system. For example, our testing of student registrations found that one student's residency status was coded incorrectly. The student was coded as a non-resident student and should have been coded as a resident student.
2. ***Lack of Manual Compensating Controls:*** The District does not maintain adequate evidence of manual compensating controls (i.e. supporting documentation to support its student registrations). For example, we found that the District was missing some of the documentation necessary to verify the information in its SIS. In addition, original forms were not always available. This lack of documentation appears to be due to District personnel's lack of knowledge about the District's SIS, which is provided by an outside vendor.
3. ***Inadequate Reporting Procedures:*** The District does not have adequate procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors. However, the District is attempting to put additional procedures in place.
4. ***Failure to Limit Access to Membership Data:*** The District does not limit access to PIMS. For example, approximately eight individuals currently have the ability to change data in the PIMS system. In addition, the District uses group passwords for PIMS, which dilutes the security of the system.

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

## **Recommendations**

The *Oley Valley School District* should:

1. Review subsequent year's reports and, if errors are found, submit revised reports to PDE.
2. Request additional training from PDE to ensure personnel clearly understands the membership reporting guidelines and instructions.
3. Maintain evidence of manual compensating controls and work with the outside vendor to better understand and navigate the vendor system.
4. Reconcile manual records with the reports generated by the District's SIS.
5. Reconcile the District's PIMS reports with the reports generated by the District's SIS.
6. Reconcile preliminary membership reports from PDE with the data in the District's SIS, prior to PDE issuing the Final Summary of Child Accounting Membership Report.
7. Establish policies and procedures to ensure that the District's membership data would be reported correctly if there was a sudden change in personnel or outside vendor.
8. Limit access to the PIMS system and use individual passwords, rather than group passwords.

The *Pennsylvania Department of Education* should:

9. Revise all reports that have been incorrectly reported and adjust the District's reimbursements affected by the error.

## **Management Response**

Management stated the following:

“Foster students were not appropriately coded and monitored thus resulting in the District's under reporting of

both Elementary and Secondary Students and the loss of appropriate funding.

The District has begun to develop processes for the monitoring of non-resident students, as well as student enrollments and withdrawal data to ensure that the data submitted is accurate, timely, and reviewed quarterly by both the individual responsible for child accounting as well as the building administrator prior to submission as required. Staff has been trained in the elements affecting child accounting and the process for entering and monitoring students whose attendance falls outside of the regular resident student process.

The District does lack the internal controls to sufficiently add, correct, and monitor student record data. Student enrollment, building and/or placement assignments are to be monitored quarterly for accuracy by both the individual who is responsible for child accounting as well as the building administrator. The District has also begun the process of developing and implementing procedures for the security protocols necessary to ensure protection of faculty, staff and student electronic information. The administrative protocols will include items such as but not limited to: adding and deletion of directory information, email accounts, leveled set of permissions that will govern who has access rights to what electronic information and to PIMS data and reports, the issuance of passwords to only those individuals with a legitimate educational interest in changing or viewing the electronic data such as; scheduling, student entrance and withdrawal, graduation status, archiving data and the length of time that the information is to be supported through the electronic backup systems. These items will be incorporated into a comprehensive records retention policy and student records plan in accordance with law.”

### **Auditor Conclusion**

We commend the District for taking steps to address the internal control weaknesses over the integrity of its membership data.

**Finding No. 2** →

**District Paid Its Former Assistant Superintendent \$30,400 in Benefits That Were Not Contractually Required**

*Criteria relevant to the finding:*

Section 508 (relating to Majority vote required; recording) of the Public School Code of 1949, 24 P.S. § 5-508, provides, in part:

“The affirmative vote of a majority of all the members of the board of school directors in every school district, duly recorded, showing how each member voted, shall be required in order to take action on the following subjects:--

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Fixing salaries or compensation of officers, teachers, or other appointees of the board of school directors.”

As part of our audit, we reviewed the retirement package paid by the Oley Valley School District (District) to its former Assistant Superintendent who retired effective August 27, 2010. We found that the District paid the former Assistant Superintendent for unused vacation days at a per diem rate, instead of converting the days to sick days, paid at lower daily rate, as required by her Contract for Employment (Contract). In addition, the District also awarded her a benefit waiver for the 2009-10 school year and part of the 2010-11 school year worth \$2,800. However, there were no provisions in the Assistant Superintendent’s Contract that made her eligible to receive this benefit. Furthermore, the auditors found no evidence that either of these additional benefits were approved by the District’s Board of School Directors (Board) at an open meeting.

On November 15, 2006, the District’s Board approved the former Assistant Superintendent’s Contract with the following retirement provisions:

- “The Assistant Superintendent may convert any unused vacation days into sick days, to be paid at retirement.” However, the Contract did not include a provision for the payment of unused vacation days at retirement.
- “Upon retirement, the Assistant Superintendent will be paid for each day of unused sick leave at the rate of \$35 per day.”

At the time of her retirement, the former Assistant Superintendent had a total of 68.5 unused vacation days. According to the terms of her Contract, those days should have been converted to unused sick days and paid at a rate of \$35 per day, for a total of \$2,397.50. Instead, the District paid the former Assistant Superintendent for the vacation days at her per diem rate of \$437.92 per day, for a total of \$29,997.52. This payment was not in the former Assistant Superintendent’s Contract, thus the District paid

the former Assistant Superintendent approximately \$27,600 in benefits that were not required under her Contract.

In addition, the District granted the former Assistant Superintendent a benefit waiver, which relieves the employee from paying their share of employer-employee benefits, worth \$2,800 for the 2009-10 school year and part of the 2010-11 school year. The use of this waiver was included in the District's Collective Bargaining Agreement. However, there were no provisions in the former Assistant Superintendent's Contract that made her eligible to receive this benefit. Consequently, this is another benefit that the District was not contractually obligated to pay.

The auditors also found no evidence that the District's Board approved the decision to pay its former Assistant Superintendent \$30,400 in retirement benefits that she was not entitled to under her original Contract. By not seeking this approval, the District violated Section 508 of the Pennsylvania Public School Code (PSC)<sup>1</sup>, which requires that boards hold a vote on the fixing of salaries or compensation in a public meeting and that this vote be documented in the board meeting minutes.

This taxpayer money should have been spent on the education of the District's students and not on benefits for a single administrator. The District's taxpayers had already met their obligations for funding the former Assistant Superintendent's retirement through the District's regular payments to the Public School Employees' Retirement System, which guaranteed her a state pension.

### **Recommendations**

The *Oley Valley School District* should:

1. Comply with the requirements of the PSC.
2. Ensure that all personnel actions, including hiring, promotions, transfers, pay raises, and salary setting are voted on and approved in a public board meeting.
3. Ensure that all personnel transactions are appropriately recorded in the official school board meeting minutes.

<sup>1</sup> Section 508 of the PSC, 24 P.S. § 5-508.

## **Management Response**

Management waived the opportunity to reply at the time of audit.



## Observation



*Criteria relevant to the observation:*

“The Local Government Unit Debt Act, Act 177 of 1996, as amended by Act 23 of 2003 (53 Pa. C.S. § 8001 *et seq.*) authorizes local government units, including school district, to include qualified interest rate agreements in connection with the issuance of bonds and notes.”

## The District Financed Some of its Debt with Interest-Rate Management (“Swap”) Agreements

On September 29, 2004, the Oley Valley School District (District) entered into a swap agreement related to its issuance of \$21,335,000 (currently issued and outstanding), Series A 2002, variable rate general obligation bonds.

Current state law permits school districts and other local government units to enter into qualified interest-rate management agreements, known more commonly as “swaps”. Swaps are financial instruments that form a contract between a school district and an investment bank, speculating on the direction interest rates will move, as well as on other unpredictable factors. Specifically, the party to the contract that guesses correctly about whether interest rates will go up or down gets paid by the party to the contract that guesses incorrectly. This is called a swap interest payment. The amount of money changing hands is determined by several factors, including the amount of the debt associated with the swap and the overall fluctuation of interest rates.

Swaps allow school districts to enter into variable-rate debt financing, and thereby take advantage of low interest rates, while at the same time mitigating the possibility of those same interest rates rising. However, swaps are complicated, financial instruments that can cost money if the District judges incorrectly on which way interest rates will move. Likewise, districts can end up paying financial advisors, legal fees, and underwriting fees, especially if these services are not competitively bid and evaluated for independence. Additionally, swaps can cause districts to pay large termination fees to the investment banks.

For example, the District terminated a portion of the swap agreement effective April 10, 2012, and paid \$6,518,000 in termination fees. The remaining part of the swap agreement was refinanced on April 11, 2012, when the District entered into another swap agreement related to its issuance of \$18,090,000, Series B 2012, variable-rate general obligation bonds. Whenever the District terminates

a swap, it should weigh the cost of the fees against the potential long-term costs of maintaining the investment.

### **Recommendations**

The *Oley Valley School District* should:

Consider all the risks, including potential termination fees, when entering into any new swap agreements in the future.

### **Management Response**

Management waived the opportunity to reply at the time of the audit.

## **Status of Prior Audit Findings and Observations**

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While our prior audit of the Oley Valley School District (District), released on September 1, 2010, resulted in no findings or observations, we found that the District had not completely complied with the recommendations in our audit covering the 2003-04 and 2002-03 school years. Consequently, we were compelled to follow-up on the status of those recommendations during our current audit. The finding pertained to the District's student accounting applications. As part of our current audit, we determined the status of corrective action taken by the District to implement our previous recommendations. We performed audit procedures and interviewed District personnel regarding the previous finding. As shown below, we found that the District still had not fully implemented all of recommendations from our previous audit report related to its student accounting applications.

### **Auditor General Performance Audit Report Released on September 1, 2010**

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**Finding:** **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Finding Summary: Our prior audit found that the District used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District's entire computer system, including all its data and the above vendor's software, is maintained on the Berks County Intermediate Unit 14 (Intermediate Unit) servers, which are physically located at the Intermediate Unit. The District has remote access into the Intermediate Unit's network servers. The Intermediate Unit also provides the District with system maintenance and support.

Recommendations: Our audit finding, again, recommended that the District:

1. Ensure it is maintaining evidence that it is monitoring and reviewing reports of the Intermediate Unit, the vendor, and employee activity on its system.
2. Allow remote access to their system only when the Intermediate Unit needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the Intermediate Unit has completed its work.
3. Perform reconciliations between system generated membership attendance reports and manually kept membership and attendance records.
4. Have the current service agreement signed by an Intermediate Unit representative.

5. Ensure it is maintaining evidence to support change requests approved or disapproved by the Change Advisory Board.

Current Status:

During our current audit, we again found that the District had only partially implemented recommendation number one. Vendor and employee activity on the District's system is tracked on logs that are generated and maintained at the Intermediate Unit. Even though these logs are on the Intermediate Unit system, they are available to the District for review at any time. In questioning District personnel about the review process, we were told that due to the voluminous nature of the activity logs, they only monitor and review these logs when data appears to be inaccurate, or when there seems to be some sort of problem. Therefore, the District still has not established a system of consistent monitoring and reviewing, and could not provide evidence, other than verbal comments, that occasional reviews occur.

We also found that recommendation number three had still not been implemented. The District still needs to improve its process for reconciling system generated reports with manually kept records, as evidenced through the Pennsylvania Information Management System review, which was conducted through current audit procedures (see page 6, Finding No. 1).

Recommendation numbers two, four, and five have been implemented by the District. Within the current Service Level Agreement, a number of terms are outlined. Specific terms include reference of the Intermediate Unit strictly adhering to the District's Acceptable Use Policies (AUP) and maintaining confidentiality obligations. The District has provided us with a letter that was signed by an Intermediate Unit representative, which acknowledges support and compliance of the District's AUP. Additionally, the District requires the Intermediate Unit to notify it in advance when system maintenance and updating occurs. The Intermediate Unit's access to the District's system is always either by request from the District or through advance notice to the District. The current Service Level Agreement, as mentioned above, was obtained and reviewed, providing evidence that it was signed by a District and Intermediate Unit representative. Lastly, change requests (upgrades/updates) are approved by the Intermediate Unit's Change Advisory Board, and the upcoming change events are communicated to all District liaisons. Per the Service Level Agreement, all change notices are communicated in advance.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
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Harrisburg, PA 17120

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