

PENN MANOR SCHOOL DISTRICT  
LANCASTER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2010



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

Dr. Richard Frerichs, Board President  
Penn Manor School District  
P.O. Box 1001  
Millersville, Pennsylvania 17551

Dear Governor Rendell and Dr. Frerichs:

We conducted a performance audit of the Penn Manor School District (PMSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 2, 2007 through November 25, 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 PMSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the PMSD's cooperation during the conduct of the audit.

Sincerely,

/s/  
JACK WAGNER  
Auditor General

June 1, 2010

cc: **PENN MANOR SCHOOL DISTRICT** Board Members



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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 Penn Manor School District (PMSD). 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 PMSD in response to our prior audit recommendations.

Our audit scope covered the period March 2, 2007 through November 25, 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 PMSD encompasses approximately 110 square miles. According to 2000 federal census data, it serves a resident population of 37,942. According to District officials, in school year 2007-08 the PMSD provided basic educational services to 5,306 pupils through the employment of 386 teachers, 254 full-time and part-time support personnel, and 25 administrators. Lastly, the PMSD received more than \$19.4 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the PMSD 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 PMSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the PMSD appealed the citation in the area of certification. The Bureau of School Leadership and Teacher Quality and PMSD entered into a settlement agreement in May 2009, effectively deleting the citation (see page 7).

With regard to the information technology observation concerning outside vendor system access, the PMSD partially complied with our prior audit recommendations (see page 8).





## Audit Scope, Objectives, and Methodology

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### 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 March 2, 2007 through November 25, 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 PMSD'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 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 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.

PMSD 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 financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 2, 2007, we reviewed the PMSD's response to DE dated April 10, 2008. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Penn Manor School District resulted in no findings or observations.

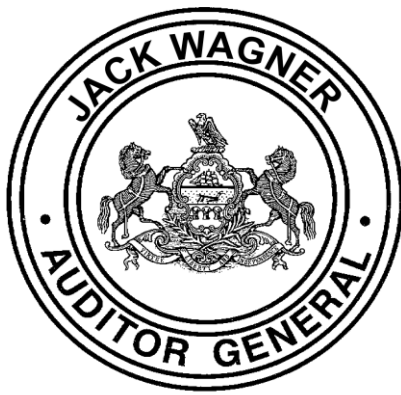
## Status of Prior Audit Findings and Observations

Our prior audit of the Penn Manor School District (PMSD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one reported observation. The finding pertained to a certification deficiency. The observation pertained to outside vendor access into the District's child accounting system. 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 PMSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the PMSD implemented some of the recommendations related to outside vendor access. The certification deficiency cited in the audit was effectively deleted through a settlement agreement between the PMSD and the DE's Bureau of School Leadership and Teacher Quality (BSLTQ).

<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>1. Finding: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> <li>1. Require District personnel to submit job descriptions to BSLTQ for locally titled positions, and adhere to BSLTQ's determination regarding proper certification</li> <li>2. Require the individual cited to obtain proper certification as required for his position.</li> <li>3. DE should adjust the District's allocations to recover subsidy forfeitures of \$7,938.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of professional employees' certification and assignments for the period from September 16, 2004, through February 22, 2007, found one individual assigned to a locally titled position for which he did not have proper certification. BSLTQ, in its Notice of Final Determination and Withholding dated May 27, 2009, upheld the citation.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District appealed the Notice of Final Determination and Withholding issued by BSLTQ. In May 2009, the District and BSLTQ negotiated a settlement agreement in which BSLTQ agreed to eliminate the subsidy forfeitures, and the District agreed to abide by any written certification guidance issued by BSLTQ concerning this individual. As of our fieldwork completion date, November 25, 2009, BSLTQ had not issued written guidance.</p>

<p><u>II. Observation:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <ol style="list-style-type: none"> <li>1. Generate monitoring reports (including firewall logs) of vendor and employee remote access and activity on the District's system. Monitoring reports should include the date, time, reason for access, and 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.</li> <li>2. Allow remote access to its system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.</li> <li>3. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's own Acceptable Use Policy (AUP).</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that PMSD used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's network servers.</p> <p>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 supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District complied with our recommendations concerning the monitoring of reports, obtaining the vendor's signature on the District's AUP, obtaining written authorization prior to upgrades/updates, and minimum password length. The District did not yet comply with our recommendations concerning enabling and disabling vendor access, including provisions for authentication in its AUP, password complexity, and requiring users to change their passwords regularly (i.e. every 30 days).</p> <p>We again recommend that the District:</p> <ol style="list-style-type: none"> <li>1. Allow remote access to its system only when the vendor needs access to make pre-approved changes/updates or provide requested assistance.</li> <li>2. Include provisions in the District's AUP for authentication (e.g. password security and syntax requirements).</li> <li>3. 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 include alpha, numeric and special characters.</li> </ol>
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<p>4. Include in the District's AUP provisions for authentication (e.g. password security and syntax requirements).</p> <p>5. Upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.</p> <p>6. 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 lock out users after three unsuccessful attempts to log in, and log users off the system after a period of inactivity (i.e. 60 minutes maximum).</p>		
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

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Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

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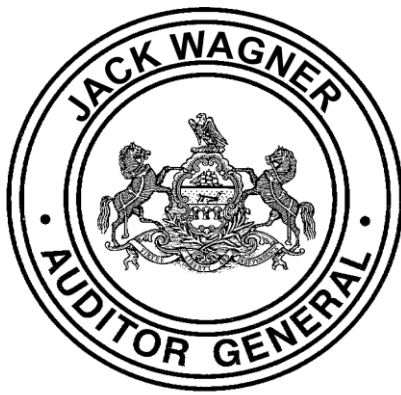
Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

Representative Paul Clymer  
Republican Chair  
House Education Committee  
216 Ryan Office Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055



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