

PENNRIDGE SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. J. David Thompson, Board President
Pennridge School District
1200 North 5th Street
Perkasie, Pennsylvania 18944

Dear Governor Corbett and Mr. Thompson:

We conducted a performance audit of the Pennridge School District (PSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period August 12, 2009 through October 4, 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 and June 30, 2009. 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 PSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

cc: **PENNRIDGE 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 Pennridge School District (PSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the PSD in response to our prior audit recommendations.

Our audit scope covered the period August 12, 2009 through October 4, 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 and 2008-09.

District Background

The PSD encompasses approximately 95 square miles. According to 2000 federal census data, it serves a resident population of 49,700. According to District officials, in school year 2009-10 the PSD provided basic educational services to 7,265 pupils through the employment of 504 teachers, 493 full-time and part-time support personnel, and 35 administrators. Lastly, the PSD received more than \$21 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the PSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however as noted below, we identified two compliance-related matters reported as findings.

Finding No. 1: Transportation Errors Resulted in Subsidy Underpayment of \$61,487.

Our audit found that during the 2009-10 school year, PSD personnel inaccurately reported, to the Department of Education, nonreimbursable and hazardous pupils transported. These errors resulted in a reimbursement underpayment of \$61,487 (see page 6).

Finding No. 2: Certification Deficiencies.

Our audit of PSD's professional employees' certification and assignments found six possible certification deficiencies. If the Bureau of School Leadership and Teacher Quality confirms the deficiencies, the PSD would be subject to a subsidy forfeiture of \$23,494 for the 2008-09, 2009-10 and 2010-11 school years (see page 8).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the PSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the PSD had taken appropriate corrective action in implementing our recommendations pertaining to an observation, related to its Memorandum of Understanding and an observation, related to its student accounting applications (see page 10).



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 August 12, 2009 through October 4, 2011 except for the verification of professional employee certification which was performed for the period July 1, 2008 to June 30, 2011.

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

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

- ✓ Does the LEA have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Management System (PIMS) is complete, accurate, valid and reliable?
- ✓ In areas where the District receives state subsidy 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 its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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?
- ✓ Is the District taking 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 members free from apparent conflicts of interest?
- ✓ 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, 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 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.

PSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 12, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1 →

Transportation Errors Resulted in Subsidy Underpayment of \$61,487

Criteria relevant to the finding:

Transportation data must be maintained in accordance with Chapter 23 of the State Board of Regulations titled “Pupil Transportation” and DE guidelines and instructions, since this data determines the district’s transportation subsidies.

The number of days transported, miles vehicles travel with and without pupils, pupil data such as public hazardous and public nonhazardous, and the amount paid to contractors are all integral parts of the transportation formula. In addition, nonpublic pupil data generates a portion of the transportation subsidy.

Our audit of the Pennridge School District's (PSD) pupil transportation reports for the 2009-10 school year found incorrect data was submitted to the Department of Education (DE). The errors resulted in a subsidy underpayment of \$61,487.

The transportation reporting errors were an overstatement of 756 nonreimbursable pupils and 242 public hazardous pupils transported in the 2009-10 school year.

The errors were caused by the PSD personnel being unfamiliar with the new transportation software which resulted in clerical errors during the inputting and reconciliation of information.

DE has been provided reports detailing the errors for use in recalculating the PSD's transportation subsidies.

Recommendations

The *Pennridge School District* should require the transportation coordinator to:

1. Review pupil records to ensure accurate reporting of data that is in compliance with DE reporting guidelines.
2. Implement a system of final review to ensure accurate reporting of transportation data to DE.
3. Review transportation reports submitted for years subsequent to the audit years and submit revisions, if necessary.

The *Department of Education* should:

4. Adjust the PSD's allocations to resolve the underpayment of \$61,487.

Management Response

Management stated the following:

The district transitioned from [one] routing and reporting software to another during the 2009-10 school year. During the transition, students were counted once as being in a hazardous walking area and again as being bused but non-reimbursable. The Director of Transportation has directed and verifies that the changes be made to accurately account for students who are being transported by bus within a walking boundary that has been identified by the State as hazardous.

Finding No. 2

Public School Code section relevant to the finding:

Section 1202 provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 mandates any school district that:

. . . has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio. . . .

Certification Deficiencies

Our audit of the PSD's professional employees' certification and assignments for the period July 1, 2008 through June 30, 2011, found six possible certification deficiencies.

A Mid-Level math certified teacher may have served without proper certification from September 2008 through May 2011. The individual taught Mathematics for 60 percent of the day and Mid-Level English for 40 percent of the day throughout the time period.

An English certified teacher may have served without proper certification from September 2009 through May 2011. The individual taught English for 80 percent of the day and Mid-Level Social Studies for 20 percent of the day throughout the time period.

A French and Spanish certified teacher may have served without proper certification from September 2008 through May 2011. The individual taught Latin throughout the time period.

A Mathematics certified teacher may have served without proper certification from September 2008 through May 2011. The individual taught Mathematics for 80 percent of the day and Mid-Level Science for 20 percent of the day throughout the time period.

A Social Studies certified teacher may have served without proper certification from September 2010 through May 2011. The individual taught Social Studies for 80 percent of the day and Computer Science for 20 percent of the day throughout the time period.

A General and Biology certified Science teacher may have served without proper certification from September 2010 through May 2011. The individual taught Science for 80 percent of the day and Mid-Level Mathematics for 20 percent of the day throughout the time period.

Information pertaining to the improper assignments was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), DE, for its review. If BSLTQ confirms the deficiencies, the District would be subject to a subsidy forfeiture of \$6,569 for the 2008-09 school year, \$7,676 for the 2009-10 school year and \$9,249 for the 2010-11 school year. The possible certification deficiencies were caused by the administration's failure to accurately monitor the assignments for its professional personnel.

Recommendations

The *Pennridge School District* should:

1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.
2. Implement a system of control that would evidence lapsed or invalid certificates.

The *Department of Education* should:

3. In conjunction with BSLTQ's determination, adjust the District's allocations to recover any subsidy forfeitures deemed necessary.

Management Response:

Management stated the following:

In all situations noted, the teachers will be strongly encouraged to complete the Praxis exam. If the teacher chooses not to complete the Praxis he/she will not instruct the courses in which he/she is not certified.

Status of Prior Audit Findings and Observations

Our prior audit of the Pennridge School District (PSD) for the school years 2007-08 and 2006-07 resulted in two reported observations. The first observation pertained to its Memorandum of Understanding, and the second observation pertained to its student accounting applications. 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 PSD did implement recommendations related to its Memorandum of Understanding and the student accounting applications.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Observation No. 1: Memorandum of Understanding Still Not Updated

Observation

Summary:

Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the PSD and the two local law enforcement agencies was signed on March 31 2008. However, we found that the MOU between the PSD and two other local law enforcement agencies was signed August 18, 1998 and have not been updated.

Recommendations:

Our audit observation recommended that the PSD:

1. In consultation with the solicitor, review, update and re-execute the current MOU between PSD and local law enforcement.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status:

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

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

Observation

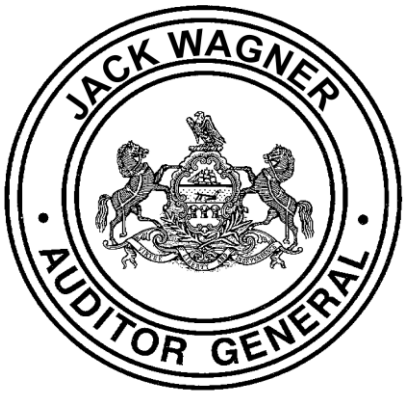
Summary:

The PSD uses 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.

Recommendations: Our audit observation recommended that the PSD:

1. Develop an agreement with the vendor to provide student accounting applications and related information technology (IT) services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.
2. Establish separate IT policies and procedures for controlling the activities of the vendors and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy.
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 that are a minimum length of eight characters; and passwords should include alpha, numeric and special characters. System should automatically log a user off the system after a period of inactivity (i.e., 60 minutes maximum). Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
4. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.

Current Status: During our current audit procedures we found that the PSD changed vendors. During our review of the new vendor we found that District did implement the recommendations.



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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