



**QUAKERTOWN COMMUNITY SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

DECEMBER 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 Smith, Board President
Quakertown Community School District
100 Commerce Drive
Quakertown, Pennsylvania 18951

Dear Governor Corbett and Mr. Smith:

We conducted a performance audit of the Quakertown Community 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 22, 2010 through May 7, 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 that the District complied, in all significant respects, with relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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 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".

EUGENE A. DEPASQUALE
Auditor General

December 11, 2013

cc: **QUAKERTOWN COMMUNITY SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Quakertown Community School District (District) in Bucks County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period December 22, 2010 through May 7, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 72 square miles. According to 2010 federal census data, it serves a resident population of 36,459. According to District officials, the District provided basic educational services to 5,428 pupils through the employment of 386 teachers, 288 full-time and part-time support personnel, and 24 administrators during the 2009-10 school year. Lastly, the District received \$18.5 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding.

Finding: Memorandum of Understanding With Local Law Enforcement Agencies Not Updated Timely.

Our audit of the Quakertown Community School District found that its Memorandum of Understanding with its local law enforcement agencies having jurisdiction over school property were not updated timely (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Quakertown Community School District (District) from an audit we released on May 26, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to its student accounting applications (see page 8).

Audit Scope, Objectives, and Methodology

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 22, 2010 through May 7, 2013, except for the verification of professional employee certification which was performed for the period November 11, 2010 through January 10, 2013.

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 receives 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 transportation subsidies, was the District, and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that 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 impose 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, 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 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). Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. 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 controls 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 May 26, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Public School Code and criteria relevant to the finding:

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the Memorandum of Understanding to the office by June 30, 2011, and biennially update and re-execute a Memorandum of Understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means an event that occurs every two years.

Memorandum of Understanding with Local Law Enforcement Agencies Not Updated Timely

Our audit of the Quakertown Community School District’s (District) Memorandum of Understanding (MOUs) with local law enforcement agencies found that they had not been updated timely. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two (2) years.

The District has MOUs with three (3) different local law enforcement agencies. None of the MOUs were updated timely.

MOU Updates		
MOU	Original Date	Date Updated
MOU 1	February 2, 2010	November 26, 2012
MOU 2	September 13, 2010	October 23, 2012
MOU 3	October 19, 2010	October 30, 2012

The failure to update the MOUs with all pertinent local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and local law enforcement agencies if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on local law enforcement notification and response, and ultimately, the resolution of a problem situation.

Recommendations

The *Quakertown Community School District* should:

1. In conjunction with the District’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.

The *Quakertown Community School District Board of School Directors* should:

2. Adopt an official Board of School Directors (Board) policy requiring District administration to biennially update and re-execute all MOUs with local law enforcement agencies having jurisdiction over school property and file a copy with the Pennsylvania Department of Education's Office of Safe Schools on a biennial basis as required by law.
3. Implement a mechanism for verifying that the District's administration is properly enacting its policy regarding the timely updating of MOUs, and any and all other adopted Board policies, as necessary.

Management Response

Management agreed with the finding.

Status of Prior Audit Findings and Observations

Our prior audit of the Quakertown Community School District (District) released on May 26, 2011, resulted in one (1) reported observation. The 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 interviewed District personnel regarding the prior observation. As shown below, we found that the District did implement recommendations related to student accounting applications.

Auditor General Performance Audit Report Released on May 26, 2011

Observation: **Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation Summary: The Quakertown Community School District 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.

During our review, we found the District had continued weaknesses over vendor access to the District's system. We noted that the District's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days, to use passwords that are a minimum length of eight (8) characters, and to maintain a password history (i.e., approximately ten (10) passwords).

Recommendations: Our audit observation recommended that the District:

1. 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).
2. Passwords should be a minimum length of eight (8) characters. Also, the District should maintain a password history that will prevent the use of repetitive passwords (i.e., last ten (10) passwords).

Current Status: During our current audit, we found that the District implemented our prior recommendations by creating password parameter settings and revising the District's Acceptable Use Policy, to reference the changing of passwords. In addition, provisions for authentication of passwords have been addressed. This includes: changing passwords, password history, password settings, and password complexity.

Distribution List

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

The Honorable Tom Corbett
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Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
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The Honorable Robert M. McCord
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.