

RIDLEY SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Michael Capozzoli, Board President
Ridley School District
901 Morton Avenue, Suite 100
Folsom, Pennsylvania 19033

Dear Governor Rendell and Mr. Capozzoli:

We conducted a performance audit of the Ridley School District (RSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 22, 2007 through February 11, 2010, 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 and June 30, 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 RSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report. We appreciate the RSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 23, 2010

cc: **RIDLEY SCHOOL DISTRICT** Board Members

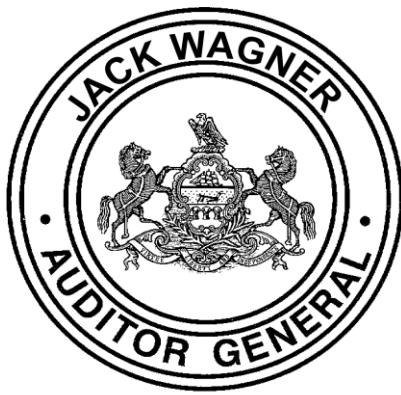
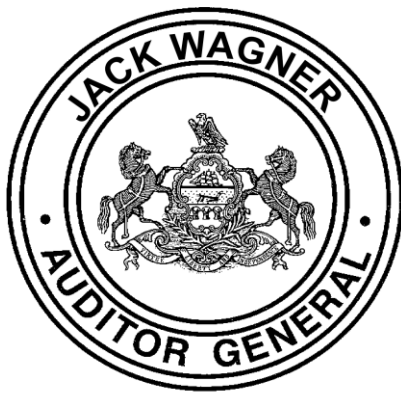


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Ridley School District (RSD). 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 RSD in response to our prior audit recommendations.

Our audit scope covered the period June 22, 2007 through February 11, 2010, 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 and 2007-06.

District Background

The RSD encompasses approximately 8 square miles. According to 2000 federal census data, it serves a resident population of 40,429. According to District officials, in school year 2007-08 the RSD provided basic educational services to 5,775 pupils through the employment of 443 teachers, 430 full-time and part-time support personnel, and 28 administrators. Lastly, the RSD received more than \$18.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

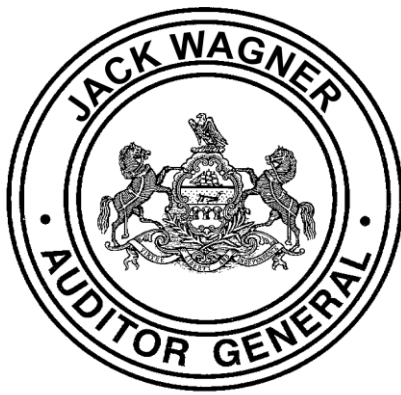
Our audit found that the RSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

Our current audit found that the RSD had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the RSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the RSD not had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses regarding bus drivers' qualifications (see page 9) and had partially implemented our recommendations pertaining to the unmonitored vendor system access and logical access control weaknesses (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 June 22, 2007 through February 11, 2010, except for the verification of professional employee certification which was performed for the period May 21, 2007 through February 8, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 RSD'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?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?

- ✓ 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.

RSD 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 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 RSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2008, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

Public School Code Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law, (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our current audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 9). We made our recommendations in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the Public School Code and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider implementing written policies and procedures to ensure that the District is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

The District has not adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations

The *Ridley School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Management Response

Management stated the following:

Management disagrees with the observation because we currently comply with Section 111 of the Public School Code, by the letter of the law, which lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Our current procedures for screening bus driver qualifications still include:

Prior to hire:

- PA Criminal Background Checks
- PA Child Abuse Clearance
- FBI Fingerprinting
- Check of driver's license information – Form DL 503 accidents, DUI's etc . . .

Thereafter:

- Random drug testing (by independent contractor)
- Recheck of driver license information – twice a year; once scheduled, once via random date selection
- Two way radios on all buses

- Cell phone equipped with GPS chip on out of district runs

In addition, the Ridley School District works in close cooperation with the Ridley Township Police, facilitating an exchange of relevant information that could impact the safety of our students.

It is our feeling that we not only meet but also exceed the current requirements of the regulation and for this reason we do not concur with the observation on internal control weakness.

We will, however, develop a process to consider convictions that occur six years and back when hiring new bus drivers. If still hired, the school district will put a memo, in file, notating we knew of crime that occurred prior to the five years but still hired due to . . .

In addition, the Ridley School District will add a new security statement to the “Conduct” section, in transportation employee handbook, to ensure the district is notified if current employees have been charged with or convicted of any criminal offense. This will be used for the purpose of determining an individual’s continued suitability to be in direct contact with children. This security statement will eventually be added to all employee agreements as they come due.

Auditor Conclusion

We consider the current lack of written procedures or policies addressing criminal convictions subsequent to the date of hire, although not legally required, to be an internal control weakness that could result in the continued employment of individuals who may nonetheless pose a risk if allowed to continue to have direct contact with children. We appreciate Ridley School District’s willingness to implement our recommendations.

Status of Prior Audit Findings and Observations

Our prior audit of the Ridley School District (RSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two reported observations. The observations pertained to internal control weaknesses regarding bus drivers' qualifications and 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 RSD did not implement recommendations related to the internal control weaknesses regarding bus drivers' qualifications and partially implemented our recommendations to the unmonitored vendor system access and logical access control weaknesses.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation No. 1:</i></u> <u><i>Internal Control Weaknesses Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District have been charged with or convicted of crimes that, even though not disqualified under state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure the District is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction 	<p>Background:</p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that they are notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that RSD has not complied with our recommendations. As of our fieldwork completion date, neither the District nor the contractor had adopted any policies or procedures to address our concerns. (See observation on page 6.)</p>

<p>of a current employee should lead to an employment action.</p>		
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<p><u>II. Observation No. 2:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on their system. Monitoring reports should include the date, time, and reason for access, 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. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, the District should ensure that changes to the data are made only by authorized vendor representatives. 3. Allow remote access to the District's system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be 	<p>Background:</p> <p>Our prior audit found that the RSD used software purchased from an outside vendor for its critical student accounting applications. 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 not able to provide supporting evidence that it was adequately monitored vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that RSD implemented our recommendations except for No. 6 and part of No. 7.</p> <p>Therefore we again recommend that the Acceptable Use Policy include provisions for authentication, and that RSD 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 maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).</p>
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<p>removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.</p> <p>4. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.</p> <p>5. 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 Acceptable Use Policy.</p> <p>6. The District's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements).</p> <p>7. 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 maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), lock out users after three</p>		
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unsuccessful attempts, and log users off the system after a period of inactivity (i.e., 60 minutes maximum).		
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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:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
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The Honorable Thomas E. Gluck
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