

SALISBURY TOWNSHIP SCHOOL DISTRICT
LEHIGH COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Russell R. Giordano, Board President
Salisbury Township School District
1140 Salisbury Road
Allentown, Pennsylvania 18103

Dear Governor Rendell and Mr. Giordano:

We conducted a performance audit of the Salisbury Township School District (STSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 3, 2009 through June 18, 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 STSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 13, 2010

cc: **SALISBURY TOWNSHIP 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 Salisbury Township School District (STSD). 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 STSD in response to our prior audit recommendations.

Our audit scope covered the period February 3, 2009 through June 18, 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 2006-07.

District Background

The STSD encompasses approximately 12 square miles. According to 2000 federal census data, it serves a resident population of 13,498. According to District officials, in school year 2007-08 the STSD provided basic educational services to 1,743 pupils through the employment of 147 teachers, 124 full-time and part-time support personnel, and 14 administrators. Lastly, the STSD received more than \$4.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the STSD 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 STSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the STSD had taken appropriate corrective action in implementing our recommendations pertaining certification deficiencies (see page 7), unmonitored intermediate unit system access and logical control weaknesses (see page 8) and their Memorandum of Understanding (see page 9).



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 February 3, 2009 through June 18, 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 (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 STSD'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?
- ✓ 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?
- ✓ 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?

- ✓ Is the District’s pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

STSD 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 2, 2009, we reviewed the STSD's response to DE dated November 19, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Salisbury Township School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

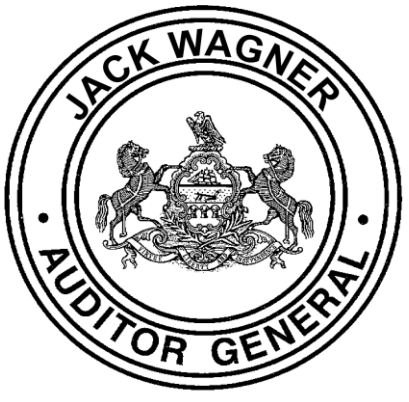
Our prior audit of the Salisbury Township School District (STSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and two observations. The finding pertained to certification deficiencies. The first observation pertained to their student accounting applications and the second observation pertained to their Memorandum of Understanding. 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 STSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observations. As shown below, we found that the STSD did implement recommendations related to certification deficiencies, their student accounting applications, and their Memorandum of Understanding.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Deficiencies</i></u></p> <p><i>The STSD should:</i></p> <ol style="list-style-type: none"> Develop procedures to compare DE’s certification requirements to the assignment the District intends to give a professional or nonprofessional employee. Require the cited individuals to obtain proper certification as required for the position or reassign the individuals to an area for which no certification is required. <p>DE should:</p> <ol style="list-style-type: none"> Adjust the District’s allocations to recover the subsidy forfeitures of \$13,837 and \$12,616 for the 2007-08 and 2006-07 school years, respectively, and the subsidy forfeiture determined for the 2008-09 school year. 	<p>Background:</p> <p>Our prior audit of the District’s professional employees’ certificates and assignments for the period March 10, 2006 through September 30, 2008 was conducted to determine compliance with the Public School Code, DE’s Bureau of School Leadership and Teacher Quality, and DE’s Certification and Staffing Policies and Guidelines. We found that the District employed a therapeutic case manager and two emotional support interventionists without certification.</p>	<p>Current Status:</p> <p>We followed up on the STSD’s records and found that the STSD did take corrective action necessary.</p> <p>DE cited the three individuals. However, this citation was appealed by the District and dismissed by the Governor’s Office Of General Counsel.</p>

<p><u>II. Observation No. 1:</u> <u>Unmonitored IU System</u> <u>Access and Logical Access</u> <u>Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Ensure that the District’s Acceptable Use Policy includes provisions for authentication (syntax requirements). Further, all employees should be required to sign this policy. 2. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the Carbon-Lehigh Intermediate Unit #21 (IU) sign this policy, or the District should require the IU 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 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). 4. Only allow access to their system when the IU needs access to make pre-approved changes/updates or 	<p>Background:</p> <p>Our prior audit found that the STSD uses software purchased from the IU for its critical student accounting applications (membership and attendance). The vendor has remote access into the District’s network servers.</p>	<p>Current Status:</p> <p>We followed up on the STSD’s IT controls/access and found that STSD did take appropriate corrective action.</p>
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<p>requested assistance. This access should be removed when the IU has completed its work. This procedure would also enable the monitoring of IU changes.</p>		
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<p><u>III. Observation No. 2:</u> <u>Memorandum of Understanding Not Updated Timely</u></p> <ol style="list-style-type: none"> 1. In consultation with the solicitor review, update and re-execute the current Memorandum of Understanding (MOU) between the District and the Salisbury Township Police Department. 2. Adopt a policy requiring the administration to review and re-execute the MOU every two years. 	<p>Background:</p> <p>Our prior audit of the District's records found that the current MOU between the District and the Salisbury Township Police Department was signed June 12, 2003, and has not been updated.</p>	<p>Current Status:</p> <p>We followed up on the STSD's current MOU and found that the District did take appropriate corrective action to review, update and re-execute the MOU on March 18, 2009 and did adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>
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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:

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