

SHIKELLAMY SCHOOL DISTRICT
NORTHUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2011

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

Ms. Linda Van Der Pool, Board President
Shikellamy School District
200 Island Boulevard
Sunbury, Pennsylvania 17801

Dear Governor Corbett and Ms. Van Der Pool:

We conducted a performance audit of the Shikellamy School District (SSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 11, 2008 through June 16, 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, 2009, 2008 and 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 SSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. In addition, 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.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

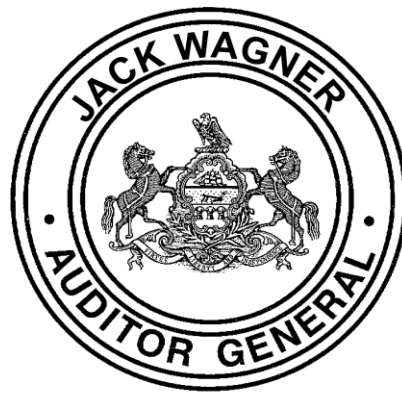
December 22, 2011

cc: **SHIKELLAMY SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Certification Deficiency	6
Observation – Memorandums of Understanding Continued to Not be Updated Timely	8
Status of Prior Audit Findings and Observations	10
Distribution List	13



Executive Summary

Audit Work

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

Our audit scope covered the period July 11, 2008 through June 16, 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, 2008-09, 2007-08 and 2006-07.

District Background

The SSD encompasses approximately 71 square miles. According to 2000 federal census data, it serves a resident population of 23,180. According to District officials, in school year 2009-10 the SSD provided basic educational services to 2,940 pupils through the employment of 229 teachers, 207 full-time and part-time support personnel, and 13 administrators. Lastly, the SSD received more than \$17.2 million in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding: Certification Deficiency. Our audit of the professional employees' certificates and assignments was conducted to determine compliance with the Public School Code, Bureau of School Leadership and Teacher Quality, and Department of Education's Certification and Staffing Policies and Guidelines. We found that a Speech and Language teacher was appointed for the 2004-05 school year. This certificate expired at the end of the 2009-10 school year and the teacher continues to be employed in the position on the lapsed certificate (see page 6).

Observation: Memorandums of Understanding Continued to Not be Updated Timely. Our current audit of the SSD's records found that the current Memorandums of Understanding (MOU) between the SSD and its local/state police departments were signed June 13, 1997, June 5, 1997, May 13, 1997 and September 9, 1998 and still have not been updated (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SSD did take appropriate corrective action to address our observation pertaining to unmonitored intermediate unit system access (see page 10). However, the SSD had not taken appropriate corrective action in implementing our recommendations pertaining to updating their MOU with their local police department in a timely manner (see page 12).

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 July 11, 2008 through June 16, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10, 2008-09, 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 SSD'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?
- ✓ 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 finding, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding, observation and conclusions based on our audit objectives.

SSD 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 and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 23, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

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 Deficiency

Our audit of the professional employees' certificates and assignments was conducted to determine compliance with the Public School Code, Bureau of School Leadership and Teacher Quality (BSLTQ), and Department of Education's Certification and Staffing Policies and Guidelines. We found that a Speech and Language teacher was appointed for the 2004-05 school year. The teacher's certificate expired at the end of the 2009-10 school year and the teacher continues to be employed in the position on the lapsed certificate.

Information pertaining to the assignment in question was submitted to BSLTQ for its review. On July 8, 2011, BSLTQ confirmed the deficiency; therefore, the Shikellamy School District (SSD) will be subject to a subsidy forfeiture of \$2,218 for the 2010-2011 school year.

The deficiency resulted from the SSD's failure to adequately monitor non-permanently certified employees' certificates.

Recommendations

The *Shikellamy School District* should:

1. Strengthen controls to help ensure that individuals' certificates are kept current.
2. Develop procedures to determine that applications for permanent certificates have been received by BSLTQ.

The *Department of Education* should:

3. Adjust the SSD's allocations to recover any subsidy forfeiture deemed necessary.

Management Response

Management stated the following:

Once we were made aware of the possible certification deficiency, we contacted the professional employee. The employee has completed and submitted all necessary paperwork to DE for processing.

Observation →

Memorandums of Understanding Continued to Not be Updated Timely

Criteria relevant to the observation:

Public School Code
Section 13-1303-A(c) provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, a Basic Educational Circular (BEC) issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities.

Section VI, General Provisions item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon written consent of parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our current audit of the SSD's records found that the current Memorandums of Understanding (MOUs) between the SSD and its local/state police departments were signed May 13, 1997, June 5, 1997, June 17, 1997 and September 9, 1998 and still have not been updated.

All SSD MOUs stated that they covered the SSD instead of the school building that they have jurisdiction over.

The continued failure to update the MOUs with the local law enforcement agencies could result in a lack of cooperation, direction, and guidance between SSD employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This continued internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

During our current audit, on June 7, 2011, we received updated and re-executed MOUs between SSD personnel and personnel from the local/state police departments.

Recommendations

The *Shikellamy School District* should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOUs between the SSD and its local/state police departments.
2. All MOUs should name the school building that they have jurisdiction over rather than the District as a whole.

3. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

As of today, June 2, 2011, three of the four MOUs have been updated with local law enforcement. We are currently waiting on one local police department to sign the updated MOU. We will begin to update the MOUs every two years, as recommended by you.

Status of Prior Audit Findings and Observations

Our prior audit of the Shikellamy School District (SSD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to their unmonitored intermediate unit system access and the second pertained to the District not maintaining an updated Memorandum of Understanding (MOU) with their local police department. 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 SSD did implement recommendations regarding the main weaknesses related to the unmonitored IU system access observation. However, we found that the SSD did not implement our recommendations related to the MOU observation.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation No. 1: Unmonitored IU System Access and Logical Access Control Weaknesses

Observation

Summary:

The SSD uses software purchased from the Capital Area Intermediate Unit #15 (CAIU) for its critical student accounting applications (membership and attendance). The CAIU has remote access onto the SSD's network servers since the servers are housed at the SSD.

Recommendations:

Our audit observation recommended that the SSD:

1. Ensure that the contract with the CAIU contains a non-disclosure agreement for the SSD's proprietary information.
2. Ensure that the contract with the CAIU is reviewed by the SSD's legal counsel.
3. Ensure that the SSD's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
4. Establish separate information technology policies and procedures for controlling the activities of the CAIU and have the CAIU sign this policy, or the SSD should require the CAIU to sign the SSD's Acceptable Use Policy.
5. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.

6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. Implement a security policy and system parameter settings to require all users, including the CAIU, to change their passwords on a regular basis (i.e. every 30 days). Passwords should be a minimum length of 8 characters and include alpha, numeric and special characters.
8. Allow access only to the system when the CAIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the CAIU has completed its work. This procedure would also enable the monitoring of CAIU changes.
9. Generate monitoring reports (including firewall logs) of CAIU and employee access and activity on their system. Monitoring reports should include date, time, and reason for access, change(s) made and who made the change(s). The SSD should review these reports to determine that the access was appropriate and that data was not improperly altered. The SSD should also ensure it is maintaining evidence to support this monitoring and review.
10. Maintain its servers with the membership/attendance data in a restricted/secure area in order to detect/deter unauthorized access.
11. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
12. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the SDD should install fire detectors and install fire extinguishers in the computer room.

Current Status:

During our current audit procedures we found that the SSD did take corrective action to address the main weaknesses over CAIU access into the SSD's system. The SSD corrected ten out of twelve weaknesses listed in the prior audit report. We again recommend that the District implement the two remaining recommendations.

Observation No. 2: Memorandum of Understanding Not Updated Timely

Observation

Summary:

Our audit of the District's records found that the current MOU between the District and its local police department was signed June 17, 1997 and has not been updated.

Recommendations:

Our audit observation recommended that the SSD:

1. In consultation with the solicitor, review, update and re-execute the current MOU between the District and the local law enforcement agency.
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 SSD did not implement our recommendations as of the start of the audit; however, on June 7, 2011, we received updated and re-executed MOUs between District personnel and personnel from the local/state police departments. A continued observation will be issued (see page 8).

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 Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
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

Ms. Nichole Duffy
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

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

