

SHIPPENSBURG AREA SCHOOL DISTRICT  
CUMBERLAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2013





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
AUDITOR GENERAL**

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

Mr. Herbert Cassidy, Board President  
Shippensburg Area School District  
317 North Morris Street  
Shippensburg, Pennsylvania 17257

Dear Governor Corbett and Mr. Cassidy:

We conducted a performance audit of the Shippensburg Area School District (SASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period May 5, 2010 through March 20, 2012, 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 SASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

**JACK WAGNER  
Auditor General**

January 14, 2013

cc: **SHIPPENSBURG AREA SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period May 5, 2010 through March 20, 2012, 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 SASD encompasses approximately 121 square miles. According to 2010 federal census data it serves a resident population of 28,194. According to District officials, in school year 2009-10 the SASD provided basic educational services to 3,470 pupils through the employment of 239 teachers, 193 full-time and part-time support personnel, and 19 administrators. Lastly, the SASD received more than \$14 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the SASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

#### **Finding: District Lacks Sufficient Internal Controls Over its Pupil**

**Membership Data.** Our audit of the SASD's controls over data integrity found that internal controls need to be improved. Specifically, our audit found that SASD did not adequately resolve differences in child accounting data between its child accounting information system and the Pennsylvania Information Management System (see page 6).

#### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the SASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the SASD had not taken appropriate corrective action on four of our eight recommendations pertaining to the unmonitored vendor system access and logical access control weaknesses (see page 10).





## Audit Scope, Objectives, and Methodology

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### 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 May 5, 2010 through March 20, 2012.

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 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 SASD'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:

- ✓ 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 District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ 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 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 does 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**

*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, observations and conclusions based on our audit objectives.

SASD 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

*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.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, 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 SASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 9, 2010, we reviewed the SASD's response to PDE dated March 26, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### District Lacks Sufficient Internal Controls Over its Pupil Membership Data

*Criteria relevant to the finding:*

According to PDE's 2009-10 *PIMS User Manual*, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code, Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status, Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation, Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected..

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of the Shippensburg Area School District's (SASD) controls over child accounting data integrity found that internal controls need to be improved. Specifically, our audit found that SASD did not adequately resolve differences between its student information system (SIS) and PIMS. During interviews, it was determined that District personnel had not reconciled the child accounting data from SIS with PIMS data. As a result, the SASD did not detect that errors had occurred. Upon learning of the errors, SASD personnel reviewed the information and determined that there was a possible computer programming error. They immediately contacted their vendor to try to resolve the issues. We found the following discrepancies:

*Criteria relevant to the finding:*

According to PDE's 2009-10 *PIMS User Manual*, for the District Code of Residence:

- District personnel are to enter the Administrative Unit Number (AUN) for the school district where the natural/adoptive parent or legal guardian resides. For a foster student with no known school district of residence, the PA state code is to be entered. For institutionalized wards of state, this is to be the PA State Code.
- For the Funding District Code, district personnel are to enter the AUN for the school district that is financially responsible for the student. This is generally the same as the District of Residence, except for Section 1305, nonresident foster children and Section 1306, Institutionalized non-resident students. For Section 1305 non-resident foster children, this is to be the school district that the foster parent resides in. For Section 1306 institutionalized non-resident students, this is to be the host School District where the institution is located.

Section 1332 of the Public School Code requires that reports of enrollments, attendance, and withdrawals be maintained for all children . . .

Section 518 of the Public School Code requires that records be retained for a period of not less than 6 years.

1. Based on the enrollment dates in the SIS, the data for 24 students uploaded to PIMS did not reconcile to the SIS.
2. Based on the enrollment dates in the SIS, the data for 21 students were inaccurate in the SIS and PIMS; however, the SIS and PIMS reconciled.
3. Four student's names appeared on the PIMS reports but did not appear on the SIS reports and five student's names appeared on the SIS reports but did not appear on the PIMS reports.
4. Data for institutionalized wards of the state did not appear on the PIMS' Summary Membership report due to District personnel reporting SASD as the district of residence instead of the PA state code.
5. Data for nonresident foster children did not appear on the PIMS' Summary Membership report because District personnel reported SASD as the resident district of the students' natural parent/adoptive parent/legal guardian instead of reporting the actual district of residence.
6. The SIS, and two reports from PIMS, Summary of Child Accounting Membership, and Instructional Time and Membership Reports show a 93 day term for the home (district) days for 19 grade 12 students enrolled for one half of the school year at the district and one half of the year at the Franklin County Career and Technology Center. However, the PIMS Student Calendar Fact Template Details Report correctly shows a 90 day term for these same 19 students. District personnel corrected the one PIMS report but did not adjust the membership database from which the membership printouts are derived (SIS and PIMS).
7. Membership days were reported for two students during periods of time they were enrolled in the Franklin County Career and Technology Center. Additionally, the days on the PIMS reports did not agree with the days on the SIS reports.

8. One student appeared under grade 3 on the PIMS reports and under grade 2 of the SIS reports. While this did not affect total elementary membership days, it made reconciliation between the PIMS reports and the SIS reports more difficult.
9. Due to a change in verbal instructions from PDE on how to handle an on-line math class offered by the district to students while they were attending the Franklin County Career and Technology Center, District personnel made adjustments to the PIMS reports, but did not make adjustments to the SIS. As a result, this created difficulties in reconciling the PIMS report to the SIS reports.

The lack of sufficient internal controls led to the discrepancies noted, which resulted in our inability to make any adjustments to the District's subsidy.

## **Recommendations**

The *Shippensburg Area School District* should:

1. Review the SIS and PIMS reports to ensure that membership days are in agreement.
2. Review the SIS and PIMS reports to verify that the membership days are being accurately calculated based on the students' enrollment dates.
3. Review the SIS and PIMS reports to ensure that the student names and membership days are the same on both reports.
4. Review the district of residence for all Section 1306 institutionalized wards of the state to ensure that the state code, not SAS is listed as the district of residence.
5. Review the district of residence for all Section 1305 nonresident foster students to ensure that the actual district of residence of the natural parent/adoptive parent/legal guardian is listed and not SASD.
6. Ensure that the membership days for full year students correspond to the term length being reported to PDE.

7. Ensure that students enrolled for only part of the year at the Franklin County Career and Technology Center are not included in membership at both locations.
8. Ensure that the grade listed for students is the same on both the SIS and PIMS reports.
9. If data is revised on the PIMS reports, this should be corrected in the SIS and new/corrected reports run or notations of the changes should be made to the SIS reports along with their effect on membership totals.

The *Pennsylvania Department of Education* should:

10. Review the propriety of payments made to the District to determine whether any adjustments are necessary.

### **Management Response**

Management stated the following:

To improve the accuracy of the data entered into our child accounting system an online child accounting and PIMS user manual was created. All building secretaries have access to the manual as reference when they need to enter data in areas where they have questions. The district provided a day of training for the secretaries that handle enrollment, attendance, graduation, or any child accounting maintenance. During the training we reviewed the manual and answered all questions.

Changes were made in the child accounting software to identify possible errors and or inconsistencies.

Additionally, manual reports are generated to verify the child accounting information matches the PIMS information. PIMS and child accounting data are separately exported to Excel. Excel flagged all of the records that did not match exactly. Not all records that were flagged were errors, if a student changed buildings and had two membership records, not all of their membership records matched so they were flagged. All records with errors were corrected.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Shippensburg Area School District (SASD) for the school years 2007-08 and 2006-07 resulted in one reported observation pertaining to unmonitored vendor system access and logical 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 analyzed the SASD Board's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the SASD did not implement four of the recommendations related to the observation.

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

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

Observation Summary: Our prior audit determined that a risk exists that unauthorized changes could be made to the District's membership information and not be detected because the District was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system.

Recommendations: Our audit observation recommended that the SASD:

1. Consider revising its Acceptable Use Policy to include provisions for authentication (password security and syntax requirements) and violations/incidents (what is to be reported and to whom).
2. Establish separate information technology (IT) 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.
3. Implement a security policy and system parameter settings to require all users, including the vendor, to log off the system after a period of inactivity (i.e. 60 minutes maximum).
4. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, SASD 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.



5. Allow access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
6. Generate monitoring reports (including firewall logs) of vendor and employee 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). SASD should review these reports to determine that the access was appropriate and that data was not improperly altered. SASD should also ensure it is maintaining evidence to support this monitoring and review.
7. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
8. To mitigate IT control weaknesses, SASD should have compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status:

Our current audit found that the SASD did not take sufficient corrective action on recommendations number 2, 3, 5, and 6. The District has determined that it is unable to resolve these issues with the vendor because the software is on a system hosted by the vendor. The District is willing to accept the risks associated with these items because the District wants to continue using a hosted system. We continue to recommend that the District take action on these four items.



## **Distribution List**

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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](http://www.auditor.gen.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  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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