

SOUTH WESTERN SCHOOL DISTRICT

YORK COUNTY, PENNSYLVANIA

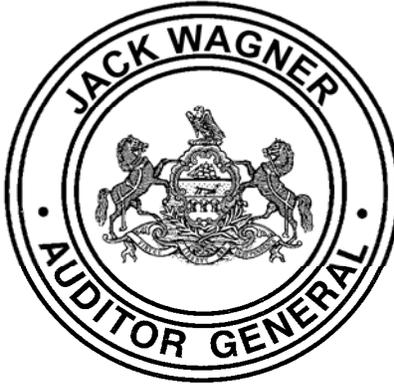
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004

WITH FINDING, OBSERVATION, RECOMMENDATIONS AND

STATUS OF PRIOR YEARS' FINDINGS, OBSERVATION AND
RECOMMENDATIONS

THROUGH FEBRUARY 9, 2007



SOUTH WESTERN SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004
WITH FINDING, OBSERVATION, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDINGS, OBSERVATION AND
RECOMMENDATIONS
THROUGH FEBRUARY 9, 2007

SOUTH WESTERN SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the South Western School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. 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 was limited to the following objectives:

- . Objective No. 1 - To determine if the South Western School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the South Western School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report.

To plan and perform our audit of the South Western School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the South Western School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the findings and recommendations contained in our prior audit report, except as noted in the following findings. We also identified internal control weaknesses as discussed in the observations. The findings and observations are discussed further in the Conclusions section of this report:

Objective No. 1

- Finding – Errors in Reporting Membership for Nonresident Children Placed in Private Homes Resulted in a Net Overpayment of \$20,597

- Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

Objective No. 2

- Finding – Certification Irregularities

- Observation – Internal Control Weaknesses in Administrative Policies

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified and help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

February 9, 2007, except for the Observation, for which the date was March 6, 2007

/s/
JACK WAGNER
Auditor General

SOUTH WESTERN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The South Western School District is located in York County and encompasses an area of 56 square miles. The school district has a population of 22,576, according to the 2000 federal census. The administrative offices are located at 225 Bowman Road, Hanover, Pennsylvania.

According to school district administrative officials, during the 2003-04 school year, the district provided basic educational services to 4,011 pupils through the employment of 24 administrators, 269 teachers, and 176 full-time and part-time support personnel. Special education was provided by the district and the Lincoln Intermediate Unit #12. Occupational training and adult education in various vocational and technical fields were provided by the district and the York County School of Technology.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 19 through 21 of this report for a listing of the state revenue the district received during the 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

SOUTH WESTERN SCHOOL DISTRICT
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OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the South Western School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the South Western School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

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CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the South Western School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the South Western School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the Conclusions-Objective No. 2 section of this report and the finding listed below. Additionally, we identified internal control weaknesses as noted in the observations included in Objective No. 1 and Objective No. 2 of this report. The finding, observations and recommendations were reviewed with representatives of the South Western School District and their comments have been included in this report.

Finding – Errors in Reporting Membership for Nonresident Children Placed in Private Homes Resulted in a Net Overpayment of \$20,597

Our audit of the district’s pupil membership records for the 2003-04 and 2002-03 school years found errors in the reporting of membership for nonresident children placed in private homes to the Department of Education (DE). These errors resulted in a subsidy and reimbursement net overpayment of \$20,597, as follows:

<u>Description</u>	<u>Over/(Under)payments</u>		<u>Totals</u>
	<u>2003-04</u>	<u>2002-03</u>	
Basic Education Funding (BEF)	\$ 1,634	\$ -	\$ 1,634
Tuition for Children Placed in Private Homes	<u>(16,075)</u>	<u>(6,156)</u>	<u>(22,231)</u>
Totals	<u>\$(14,441)</u>	<u>\$(6,156)</u>	<u>\$(20,597)</u>

Child accounting guidelines and instructions require the accurate reporting of pupil membership days, since they are the major factor in calculating various state subsidies and reimbursements.

Due to inadequate review of nonresident student placement documentation, the following errors occurred:

- in the 2003-04 school year, membership for four students placed in foster care, but without compensation to the foster parents, was incorrectly reported as membership for nonresident children placed in private homes, and should have been reported as resident;

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PERFORMANCE AUDIT REPORT

Finding (Continued)

- a three day clerical error occurred in computing membership for a student who was placed in an alternative education program in the Waynesboro Area School District during the 2003-04 school year; and
- in the 2002-03 school year, membership for two students placed in foster care, but without compensation to the foster parents, was incorrectly reported as membership for nonresident children placed in private homes, and should have been reported as resident.

These errors resulted in the following (over)/understatements of membership days:

<u>Classification</u>	<u>2003-04</u>	<u>2002-03</u>
<u>Resident:</u>		
Elementary	-	2
Secondary	472	180
<u>Nonresident:</u>		
<u>Children Placed in Private Homes:</u>		
Elementary	-	(2)
Secondary	(475)	(180)

The errors in resident and nonresident membership resulted in the BEF underpayment of \$1,634 and the \$22,231 overpayments of tuition for children placed in private homes.

Recommendations

The district's child accounting coordinator should:

- become cognizant of DE's guidelines regarding the classification of nonresident students placed in foster homes without compensation to the foster parents;
- review documentation provided by the placing agency for each nonresident child placed in private homes and report the student's membership in accordance with DE guidelines. If the documentation received from the placing agency lacks required information, follow-up with the agency should be done immediately and not wait until an audit request; and
- review membership reports for years subsequent to the current audit, and if errors are found, submit revised reports to DE.

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Finding (Continued)

Response of Management

Management provided the following response agreeing with our finding:

The audit found a number of errors in the reporting of nonresident children placed in private homes. Students for which the district received agency placement letters were coded as 1305 foster students. The parents of some of these students lived in our district and as such, those students should have been reported as resident students. The District will implement procedures to verify the information on agency placement letters including if per diems were paid and if the natural parents live in the district to ensure that only nonresident children placed in private homes are reported as 1305 nonresident students.

Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The South Western 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.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the district's data could occur and not be detected because the district was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the district has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. Membership reconciliations are performed between manual records and reports generated from the student accounting system.

Reliance on manual compensating controls becomes increasingly problematic if the district would ever move into an entirely paperless future with decentralized direct entry of data into their systems. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the district's membership information and result in the district not receiving the funds to which it was entitled from the state.

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Observation (Continued)

During our review, we found the district to have the following weaknesses as of March 6, 2007, over vendor access to the district's system:

- . the district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system;
- . the district does not have current IT policies and procedures for controlling the activities of vendors/consultants or require the vendor to sign the district's Acceptable Use Policy;
- . the vendor uses a group userID rather than requiring that each employee have a unique userID and password;
- . the contract with the vendor did not contain a non-disclosure agreement for the district's proprietary information;
- . the district has certain weaknesses in logical access controls. 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 characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts; and to log off the system after a period of inactivity (i.e., 60 minutes maximum);
- . the district's Acceptable Use Policy does not include provisions for authentication (e.g., password security and syntax requirements); and
- . the district does not store system backups in a secure, off-site location.

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Observation (Continued)

Recommendations

We recommend that the district implement the following:

- the district should review monitoring reports of vendor activity on the district's system. 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 they are maintaining evidence to support this monitoring and review;
- the district should establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's own Acceptable Use Policy;
- the district should require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the district system. Further, the district should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives;
- the contract with the vendor should contain a non-disclosure agreement for the district's proprietary information;
- the district should implement a security policy and system parameter settings to require all users, including the vendor, to change 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. The district should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords). Also, the district should lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum);
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements); and
- the district should store system backups in a secure, off-site location.

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Observation (Continued)

Response of Management

Management agreed in part and disagreed in part with our observation, as detailed in the following written response:

1. The district disagrees with the first recommendation. The district monitors all activity on our system including vendor activity. We verify manually all child accounting data annually before completing and submitting reports to the Department of Education. The District currently maintains documentation and records pertaining to child accounting reports as required by the Auditor General's Office.
2. The district disagrees with the second recommendation. The district does not believe that the creation of separate IT policies and procedures for controlling the activities of vendors/consultants will be effective since we cannot enforce such policies and procedures against the vendor/consultants. We will not require them to sign the district's Acceptable Use Policy for the same reason.
3. The district will obtain a list of vendor employees that can access the student system, and assign unique ID/passwords for each name on the list.
4. The district will be terminating its relationship with its current software vendor effective June 30, 2007. The district will ensure that all future contracts will contain non-disclosure agreements for the district's proprietary information.

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Observation (Continued)

5. The district will consider changing the inactivity setting from none to 90-120 minutes. If 60 minutes is used it could timeout sessions during lunch break time, potentially causing loss of data. The 90-120 minute setting will cover those instances that a session is accidentally left on when the employee is not at work. The district's current policy of locking out after 5 attempts, changing passwords every 120 days, password minimum length of three (3) characters and maximum of ten (10), and non-repetitive history of four (4) is sufficient for our system. In order for someone to get to a sign on for the AS/400, they must first pass through two other user/password accounts, plus access to the system requires a special client installed on the user's computer – this only occurs in the office area of the district. It should be noted that the district is changing vendors for the student system and new user accounts and passwords will be established to more closely follow the AG's recommendations.
6. The district will consider modifying the Acceptable Use Policy to include provisions for authentication (e.g. password security and syntax requirements).
7. The district will change its practice on system storage and locate backups off-site.

Auditors' Conclusion

While the district represented to us that they review monitoring reports of vendor activity in their system, no evidence of review was provided. We continue to recommend that evidence of review of system logs, firewall logs and other logs of vendor activity in the system be maintained for audit, as stated above.

The IT vendor is an integral part of the control structure of the child accounting system in the district. Therefore, we contend it is imperative that the district formally communicate its expectations for vendor actions in the district's system. We continue to recommend that the district establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's own Acceptable Use Policy.

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CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the South Western School District took appropriate corrective action to address the findings, observation and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of these findings and observation, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated March 23, 2005, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding specific prior years' findings, observation and recommendations.

Finding No. 1 – Certification Irregularities

Our prior audit of the professional employees' certification for the period August 3, 2001 through November 23, 2004, was performed to determine compliance with the Public School Code and the Bureau of Teacher Certification and Preparation (BTCP), Department of Education (DE), Certification and Staffing Policies and Guidelines (CSPG). Our review found that four individuals had been assigned to locally titled positions. Since administrative personnel did not obtain a BTCP determination of what certification was required for the positions, we could not determine whether these individuals were appropriately certified for this position. We submitted information about the positions to BTCP for its review.

We recommended that:

- upon receipt of BTCP's determination, the superintendent require the individuals cited in this finding to obtain proper certification, or reassign them to positions for which they were properly certified; and
- if BTCP confirmed the irregularities, DE take action to recover any appropriate subsidy forfeitures.

In its final determination, dated January 7, 2005, BTCP noted all individuals listed as possible irregularities were found to be properly certified for their assignments. This determination resolved this finding and no further action was required.

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Finding No. 1 (Continued)

Based on the results of our current audit, we concluded that the district was not required to take any corrective action to address the specific positions cited in our prior finding. However, our current audit found other certification irregularities.

Our current audit of professional employees' certification and assignments for the period November 24, 2004 through December 12, 2006, was again performed to determine compliance with the Public School Code and BTCP's CSPGs. Our review found that for the 2006-07 school year:

- one individual assigned to teach Spanish from September through December of 2006 had an inactive Pennsylvania Teaching Certificate for elementary and could not obtain an emergency certificate for Spanish; and
- one individual certified in elementary and library science was assigned as the substitute technology coordinator for the first semester. According to CSPG No. 56, the individual needed to be certified as an instructional technology specialist.

Section 1202 of the Public School Code provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.¹

Section 2518 of the Public School Code provides, in part:

[Any] school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth 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.²

Information pertaining to the assignments and certificates was submitted to BTCP, DE, for its review. On January 26, 2007, BTCP confirmed the irregularities, resulting in the district being subject to a subsidy forfeiture. The subsidy forfeiture for the 2006-07 school year, could not be calculated since the required aid ratio data was not yet available at the time of our current audit.

¹ 24 P.S. § 12-1202.

² 24 P.S. § 25-2518.

SOUTH WESTERN SCHOOL DISTRICT
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Finding No. 1 (Continued)

Recommendations

The superintendent should put procedures in place to ensure that employees are properly certified for the positions to which they are assigned.

DE should compute the subsidy forfeiture for the 2006-07 school year when necessary data is available and recover the computed amount.

Response of Management

Management provided us with the following response agreeing with the finding:

[The technology coordinator] was in this position several years ago and was working toward getting the proper certification. When we assigned her to this position for the first semester of 2006-07, we failed to check that she had completed the requirements for the certification.

We applied for an emergency certification for [the Spanish teacher] in August 2006 and did not get a response from the Bureau of Teacher Certification until November 2006 notifying us that her application was denied. We discussed with the Bureau of Teacher Certification as to what was needed and realized that [the individual] could not complete the requirements to obtain the proper certification. As soon as possible we put someone with the proper certification in that position.

Finding No. 2 – Catering Service Internal Control Weaknesses Result in Noncompliance with Public School Code and the Department of Revenue Regulations

Our prior audit of the district’s food service operation for the 2003-04 school year found that catering services were provided for three non-school related functions. District personnel noted the purpose of providing catering service was to enhance food service revenues. The catered non-school related functions included a breakfast for the Chamber of Commerce and banquets for the Park Hills Athletic Association and the Rotary Club Sports Night.

We recommended that the board require district administrators to:

- maintain non-school related function revenue and expenditures in an “Other Enterprise Fund”;
- contact the Department of Revenue (DR) to determine the sales tax liability and penalty due on the food sales;

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PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

- ensure wages paid for catering services are not included on Social Security, Medicare and retirement applications submitted to the Labor, Education and Community Services (LECS) for reimbursement; and
- perform a more detailed cost analysis on all non-school related functions to ensure all direct and indirect costs are recovered.

We further recommended that DR perform a review of food service records to determine the tax and penalty owed by the district.

The board, in its written response, agreed with the finding and noted that the district would implement all of our recommendations beginning with the 2005-06 fiscal year, and that the business administrator would be responsible for monitoring to ensure that the corrective actions were implemented.

Our current audit found district personnel took the following actions:

- contacted LECS, School Finance Division, and obtained approval to account for the catering activities within the cafeteria fund since the number of events are limited to two or three per year. This approval was granted on the condition that the accounting for the catering activities is adequately segregated within the cafeteria fund account;
- contacted DR and filed amended sales tax returns for the 4th Quarter of 2003, 1st and 4th quarters of 2004 and 1st quarter of 2005, resulting in a payment of \$280 for sales tax due for the catering activities cited in this finding;
- established separate salary accounts within the cafeteria fund for catering activity to ensure wages paid for catering services are not included on Social Security, Medicare and retirement applications submitted to LECS for reimbursement; and
- completed a profit and loss statement for all catered functions to ensure all direct and indirect costs are recovered and a profit is realized.

Our current review of the district's cafeteria fund accounting found that sufficient detail is being provided to properly differentiate between catering and cafeteria operations. Additionally, the detail provided does allow for separate accounting for catering salaries and we confirmed these salaries are not being reported for state reimbursement of Social Security, Medicare and retirement.

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PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

Observation – Internal Control Weaknesses in Administrative Policies

Our prior audit found that the district did not have written policies or procedures in place to notify them if their current employees have been charged with or convicted of a criminal offense which, although it would not legally prohibit the district from continuing to employ the individual, nonetheless should be considered for the purpose of determining the individual's continued suitability to be in direct contact with children. We considered the 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 pose a risk if allowed to continue to have direct contact with children.

We recommended that, in consultation with its solicitor, the district implement procedures to notify them when drivers, or any employee who has direct contact with children, are charged with or convicted of crimes that call into question the employees' suitability to continue to have direct contact with children.

The board, in its written response, agreed with the observation and stated that the board and administration would work with the solicitor to develop the necessary policies and procedures, to be implemented beginning with the 2005-06 school year.

Our current audit found that as of February 9, 2007, the district had not yet adopted policies or procedures requiring current drivers or other employees to notify management if they are charged with or convicted of any crimes that call into question the employees' suitability to continue to have direct contact with children.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this observation; as a result, lack of administrative policies was again noted in the current audit, detailed as follows:

Section 111 of the Public School Code 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.³

³ 24 P.S. § 1-111.

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Observation (Continued)

Similarly, Section 6355 of the Child Protective Services Law (CPSL) 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.⁴

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that schools 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. Schools should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our current review of the personnel records of 25 of 68 bus drivers currently employed by the South Western School District (SWSD) and a driver employed by the district's only transportation contractor found that these individuals possessed the minimum requirements to be employed as bus drivers and that the SWSD had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the SWSD or its contractor from hiring any of the drivers. Therefore, we concluded that the SWSD has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicant's suitability to have direct contact with children.

However, the district and its transportation contractor still do not have written policies or procedures in place 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.

⁴ 23 Pa.C.S. § 6355.

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Observation (Continued)

Recommendations

We again recommend that the board of directors and school administrators consider, in consultation with the school's solicitor:

- . developing a process to determine, on a case-by-case basis, whether prospective and current employees of the school or its transportation contractor 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; and
- . implementing written policies and procedures to ensure the school is notified when current employees of the district or the district's transportation contractor 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.

Response of Management

Management provided the following response agreeing with the observation:

The District has followed Commonwealth statutes with regards to the hiring process. There are no procedures in place to ensure that any of the District's employees are free of any criminal misconduct and of child abuse misconduct after the date of hire.

Although not required by statute, the District acknowledges that a policy and procedures that clearly define driver qualification requirements would help better protect students. Requirements should include the responsibility of drivers to immediately inform management if they are charged with any motor vehicle, criminal or child abuse violations. Since this observation appeared on the previous report, the District has worked with our solicitor to draft guidelines and procedures for the implementation of this practice. The District will now move forward and implement the procedures and practices.

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PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$12,626,562 and \$11,907,584, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

STATE REVENUE	<u>2004</u>	<u>2003</u>
Basic Education	\$ 7,891,974	\$ 7,728,780
Charter Schools	6,527	6,527
Tuition for Orphans and Children Placed in Private Homes	31,322	39,636
Homebound Instruction	657	795
Vocational Education	14,387	12,604
Alternative Education	20,285	14,632
Driver Education	4,690	4,970
Migratory Children	-	120
Special Education	1,730,694	1,649,729
Transportation	723,834	657,388
Rental and Sinking Fund Payments	1,047,794	893,468
Health Services	74,356	74,482
Social Security and Medicare Taxes	724,185	699,055
Retirement	<u>355,857</u>	<u>125,398</u>
<u>TOTAL STATE REVENUE</u>	<u>\$12,626,562</u>	<u>\$11,907,584</u>

SOUTH WESTERN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Driver Education

Revenue received from the Commonwealth as subsidy for conducting a standardized driver education program. Payments are made in accordance with Section 2504.1 of the Public School Code.

SOUTH WESTERN SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Migratory Children

Revenue received from the Commonwealth as subsidy for the attendance of migratory children in accordance with Sections 2502 and 2509.2 of the Public School Code.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

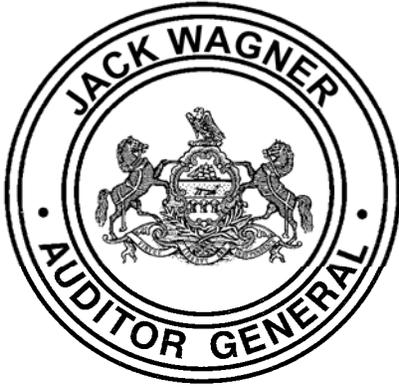
Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.



BUREAU OF SCHOOL AUDITS

AUDIT REPORT 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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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, Pennsylvania 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.