

SOUTHERN YORK COUNTY SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Robert Schefter, Board President
Southern York County School District
3280 Fissels Church Road, P.O. Box 128
Glen Rock, Pennsylvania 17327

Dear Governor Rendell and Mr. Schefter:

We conducted a performance audit of the Southern York County School District (SYCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 28, 2006 through July 17, 2009, 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, 2007, 2006 and 2005. 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 SYCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the SYCSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

January 29, 2010

JACK WAGNER
Auditor General

cc: **SOUTHERN YORK COUNTY SCHOOL DISTRICT's** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	5
Status of Prior Audit Findings and Observations	6
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Southern York County School District (SYCSD). 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 SYCSD in response to our prior audit recommendations.

Our audit scope covered the period November 28, 2006 through July 17, 2009, 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, 2006-07, 2005-06 and 2004-05.

District Background

The SYCSD encompasses approximately 68 square miles. According to 2000 federal census data, it serves a resident population of 18,592. According to District officials, in school year 2007-08 the SYCSD provided basic educational services to 3,238 pupils through the employment of 243 teachers, 140 full-time and part-time support personnel, and 19 administrators. Lastly, the SYCSD received more than \$12.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SYCSD 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 SYCSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the SYCSD had taken appropriate corrective action in implementing our recommendations pertaining to late filing of Statements of Financial Interests (see page 6), a certification deficiency (see page 6), unmonitored vendor system access and logical access control weaknesses (see page 7), and internal control weaknesses regarding bus drivers' qualifications (see page 8).



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 November 28, 2006 through July 17, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 SYCSD'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:

- ✓ 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SYCSD 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 area of comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 24, 2007, we reviewed the SYCSD's response to DE dated July 17, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Southern York County School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Southern York County School District (SYCSD) for the school years 2003-04 and 2002-03 resulted in two reported findings and two reported observations, as shown in the following table. 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 SYCSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observations. As shown below, we found that the SYCSD did implement our recommendations related to late filing of Statements of Financial Interests, a certification deficiency, unmonitored vendor system access and logical access control weaknesses, and internal control weaknesses regarding bus drivers’ qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Board Member Filed Statements of Financial Interests Late</i></u></p> <p>1. The board should seek the advice of its solicitor in regard to the board’s responsibility when elected board members fail to file their Statements of Financial Interests (SFI) by the due date.</p>	<p>Background:</p> <p>Our prior audit of SYCSD records found that one board member filed his SFI late for all three years.</p>	<p>Current Status:</p> <p>Our current audit found that SYCSD complied with our recommendations and all SFIs reviewed were filed on time.</p>
<p><u><i>II. Finding No. 2: Certification Deficiency</i></u></p> <p>1. Ensure all professional employees are properly certified prior to starting their assignments.</p> <p>2. DE should adjust the District’s allocations to recover the \$1,008 subsidy forfeiture.</p>	<p>Background:</p> <p>Our prior audit found that one individual did not have required special education certification from September 2005 through November 2005. As a result, we computed the District was subject to a subsidy forfeiture of \$1,008 for the 2005-06 school year.</p>	<p>Current Status:</p> <p>Our current audit found that SYCSD complied with our recommendations and the individual is now properly certified for the assignment.</p> <p>The District appealed the subsidy forfeiture amount computed for this irregularity and on April 11, 2008 a “Settlement Agreement” was reached between DE and the District to reduce the subsidy forfeiture amount to \$504. DE deducted \$504 from the District’s June 1, 2008 basic education funding payment to resolve this finding.</p>

<p><u>III. Observation No. 1:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports of the vendor and employee remote access and activity on its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, we recommend that the District obtain a list of vendor employees with remote access to their data and ensure that changes to the data are made only by authorized vendor representatives. 3. The District should either establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy in agreement or require the vendor to sign the District's own acceptable use policy. 	<p>Background:</p> <p>Our prior audit found that the SYCSD used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the District's network servers. Based on our prior audit procedures, we determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that SYCSD complied with our recommendations as follows:</p> <ol style="list-style-type: none"> 1. Monitoring reports are now generated listing date, time, reason for access, change(s) made and individual making the change. 2. Only one vendor employee is allowed access to the District's system and a unique userID has been assigned to the vendor employee. 3. The vendor has signed the District's acceptable use policy. 4. The contract with the vendor has been amended to include a non-disclosure agreement. 5. The District's security parameters have been adjusted to require passwords of a minimum of six characters, including alpha and numeric characters, changing of the password every 90 days, and logging off the system after 60 minutes of inactivity.
---	---	--

<p>4. Include in the contract with the vendor a non-disclosure agreement for the District’s proprietary information.</p> <p>5. Implement a security policy and system parameter settings to require all users, including the vendor during their remote access, to change their passwords on a regular basis (i.e., every 30 days); use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; and log off the system after a period of inactivity (i.e., 60 minutes maximum).</p>		
--	--	--

<p><u>VI. Observation No. 2:</u> <u>Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications</u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District’s transportation contractor have been convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</p> <p>2. Implement written policies and procedures to ensure that the District is notified when current employees of the District’s</p>	<p>Background:</p> <p>Our prior audit found that neither the District nor the transportation contractor had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual’s continued suitability to be in direct with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that SYCSD complied with our recommendations by including in the District’s transportation contract the following statement: “Contractor must notify the School District immediately if any current employee is charged with or convicted of serious criminal offenses that may affect their suitability to have direct contact with children.”</p>
--	--	--

<p>transportation contractors 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.</p>		
--	--	--



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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

The Honorable Gerald Zahorchak, D.Ed.
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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

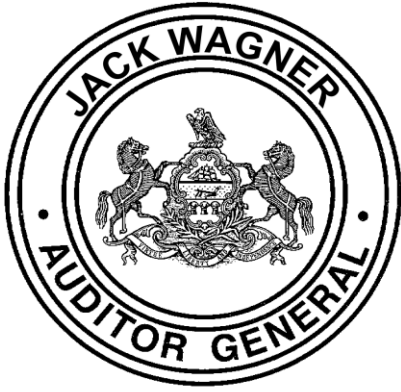
Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
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.

