

WAYNESBORO AREA SCHOOL DISTRICT
FRANKLIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2011

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

Mr. Edward Wilson, Board President
Waynesboro Area School District
210 Clayton Avenue
Waynesboro, Pennsylvania 17268

Dear Governor Corbett and Mr. Wilson:

We conducted a performance audit of the Waynesboro Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 18, 2008 through August 26, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the WASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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 WASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 9, 2011

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



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Executive Summary

Audit Work

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

Our audit scope covered the period April 18, 2008 through August 26, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

The WASD encompasses approximately 93 square miles. According to 2000 federal census data, it serves a resident population of 28,376. According to District officials, in school year 2007-08 the WASD provided basic educational services to 4,140 pupils through the employment of 306 teachers, 197 full-time and part-time support personnel, and 17 administrators. Lastly, the WASD received more than \$18.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Finding: Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in a Net Reimbursement Underpayment of \$4,235. Our audit of the pupil transportation data submitted to the Department of Education for the 2007-08 and 2006-07 school years found errors in the number of nonpublic pupils reported for reimbursement (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WASD, we found the WASD had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 8) and unmonitored vendor system access and logical access control weaknesses (see page 9).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period April 18, 2008 through August 26, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through June 30, 2010.

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

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education 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 WASD'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 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.

WASD 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 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 WASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 3, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in a Net Reimbursement Underpayment of \$4,235

Criteria relevant to the finding:

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

DE instructions for the completion of transportation reports state:

NONPUBLIC school pupils are children whose parents are paying tuition for them to attend a nonprofit private or parochial school. (Any child that your district is financially responsible to educate is a PUBLIC pupil).

Our audit of the pupil transportation data submitted to the Department of Education (DE) for the 2007-08 and 2006-07 school years found errors in reporting the number of nonpublic pupils transported, resulting in a net reimbursement underpayment of \$4,235. Our audit found District personnel incorrectly reported the number of nonpublic pupils transported as follows:

<u>School Year</u>	<u>Number of Pupils</u>		<u>(Over)/Under Reported</u>
	<u>Reported</u>	<u>Audited</u>	
2007-08	184	213	29
2006-07	239	221	(18)

Errors in reporting the number of nonpublic pupils transported resulted in a reimbursement underpayment of \$11,165 for the 2007-08 school year, and a reimbursement overpayment of \$6,930 for the 2006-07 school year. The combination of errors resulted in a net reimbursement underpayment of \$4,235.

The oversight was due to clerical errors and a lack of year-end reconciliation procedures between District records and the data reported to DE.

Nonpublic pupil tabulation is an integral part of the transportation reimbursement formula. Pupil counts should be reported accurately, in accordance with DE guidelines and instructions, to ensure the District receives proper reimbursement.

DE has been provided with reports detailing the errors for use in recalculating the District's reimbursement.

Recommendations

The *Waynesboro Area School District* should:

1. Strengthen controls regarding reporting of nonpublic pupils transported, to help ensure all data is accurately reported to DE.
2. Review reports for subsequent years and submit revised reports, if errors are found.

The *Department of Education* should:

3. Adjust the District's future allocations to resolve the net underpayment of \$4,235 in nonpublic pupil reimbursement.

Management Response

Management stated the following:

Management agrees with the finding as outlined above, and has determined that for the specified time period there was an inconsistency in our transportation software regarding two of the private schools. . . .

We have requested that the bus software company review the discrepancies to determine why this information was not reported. Management is very pleased, however, that the introduction of this software has resulted in increased transportation subsidy for the District year after year. In addition, the transportation coordinator needs to better reconcile data from the software with data maintained by the bus contractors in an effort to eliminate such errors from happening in the future.

The Business Administrator will take an active role in the reporting of fiscal year 2009-2010 data and create reconciliation procedures between District records and data reported to PDE. We will, as recommended, review reports from subsequent years and submit revised reports, if necessary.

Status of Prior Audit Findings and Observations

Our prior audit of the Waynesboro Area School District (WASD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one reported observation. The finding pertained to certification deficiencies and the observation pertained to unmonitored vendor system access and logical access 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 performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the WASD did implement recommendations related to certification deficiencies and unmonitored vendor system access and logical access control weaknesses.

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

Finding: **Certification Deficiencies**

Finding Summary: Our prior audit of professional employees' certification and assignments for the period November 2, 2005 through December 31, 2007, found two certification deficiencies.

Recommendations: Our audit finding recommended that the WASD:

1. Strengthen the review process for tracking and monitoring the years of service of certified staff with temporary certification to ensure certificates do not lapse.
2. Ensure professional employees obtain proper certification before they are transferred or appointed to new positions.
3. The Department of Education (DE) should adjust the District's allocations to recover subsidy forfeitures of \$7,208.

Current Status: Our current audit found that certification deficiencies were corrected, and all professional employees held proper certification and were giving instruction within their proper assignments. Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this finding.

DE withheld \$7,024 from the District's June 2010 basic education funding to assess the subsidy forfeitures. The \$184 difference between the amount of the finding and the amount DE withheld was due to DE adjusting the percentage of time used in the calculation of the subsidy forfeiture.

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

Observation Summary: During our prior audit we found that the 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.

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 all vendor activity in its system.

Recommendations: Our audit observation recommended that the WASD:

1. Establish separate information technology 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.
2. 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. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's 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.
4. Generate monitoring reports (including firewall logs) of vendor and employee access, change(s) made and who made the change(s) and activity on the 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 it is maintaining evidence to support this monitoring and review.

Current Status:

Our current audit found that the District did take appropriate corrective action regarding our recommendations, as follows:

1. The District has an Acceptable Use Policy which the vendor is required to sign.
 2. The District has implemented a security policy which includes changing passwords on a regular basis, setting minimum length and complexity requirements, maintaining a password history, and logging users of the system after a period of inactivity.
 3. District personnel now ensure that changes are made only by authorized personnel.
 4. District personnel now generate and review activity logs of vendor and employee access and activity on the system.
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Distribution List

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

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

The Honorable Ronald J. Tomalis
Acting 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. 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

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