

WEST PERRY SCHOOL DISTRICT  
PERRY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2010



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

Mr. Charles Thiemann, Board President  
West Perry School District  
2606 Shermans Valley Road  
Elliottsburg, Pennsylvania 17024

Dear Governor Rendell and Mr. Thiemann:

We conducted a performance audit of the West Perry School District (WPSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 21, 2007 through April 1, 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 WPSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the WPSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 29, 2010

cc: **WEST PERRY 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 West Perry School District (WPSD). 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 WPSD in response to our prior audit recommendations.

Our audit scope covered the period November 21, 2007 through April 1, 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 WPSD encompasses approximately 325 square miles. According to 2008 local census data, it serves a resident population of 17,101. According to District officials, in school year 2007-08 the WPSD provided basic educational services to 2,722 pupils through the employment of 237 teachers, 172 full-time and part-time support personnel, and 20 administrators. Lastly, the WPSD received more than \$15 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the WPSD 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 WPSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the WPSD had taken appropriate corrective action in implementing our recommendations pertaining to the following findings: a Department of Education processing error (see page 7), a certification deficiency (see page 7), inaccurate reporting of pupil membership (see page 8), and school board members' failure to file Statements of Financial Interests (see page 8). In addition, we found the WPSD had taken appropriate corrective action in implementing the recommendations in our observations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 9) and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 12).





## 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 November 21, 2007 through April 1, 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 (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 WPSD'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:

- ✓ 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 ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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.

WPSD 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 and pupil transportation.

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, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 5, 2008, we reviewed the WPSD's response to DE dated June 1, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the West Perry School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the West Perry School District (WPSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in four findings and two observations. 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 WPSD 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 WPSD did implement our recommendations related to the findings and observations.

<i>School Years 2005-06, 2004-05, 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: Department of Education Processing Error Resulted in a \$9,613 Subsidy Overpayment</i></u></p> <ol style="list-style-type: none"> <li>1. Reconcile all grant money received from DE to approved grant applications to ensure accuracy of monies received.</li> <li>2. DE should adjust the District's allocations to recover the \$9,613 overpayment and determine if any other districts who received the 2003-04 Education Assistance Program (EAP) Grant were overpaid.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's EAP grants for the 2005-06, 2004-05 and 2003-04 school years found that DE overpaid the District \$9,613 for the 2003-04 grant.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District received the appropriate entitlement for the 2006-07 EAP grant. Additionally, the District completed reconciliation procedures to ensure application for grant monies agreed with monies received.</p> <p>We concluded that the District took appropriate corrective action to address this finding.</p> <p>As of March 1, 2010, this issue has not been resolved by DE. DE is still in the process of reviewing the EAP grant program to determine which districts may have been overpaid in 2003-04.</p>
<p><u><i>II. Finding No. 2: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> <li>1. Take appropriate action to correct the deficiency and establish procedures to verify the validity and status of all individuals' certificates</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that one teacher was employed with a temporary professional contract as a learning support teacher for the 2007-08 school year on an inactive certificate. The certificate was inactive because the individual failed to comply with continuing professional education requirements.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the previously cited individual's certificate was reactivated by DE on August 19, 2008, correcting the deficiency. DE withheld a subsidy forfeiture of \$2,504</p>

<p>prior to employment.</p> <p>2. DE should recover the appropriate subsidy forfeiture.</p>		<p>from the District's December 31, 2009 basic education funding payment to resolve the finding.</p>
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<p><u>III. Finding 3: Inaccurate Reporting of Pupil Membership</u></p> <p>1. Establish reconciliation procedures to ensure the membership summary reports submitted to DE agree with the District's membership data.</p> <p>2. Establish review procedures to ensure membership is reported in the correct classification.</p> <p>3. Review reports submitted to DE subsequent to the audit period and, if errors are found, submit revised reports to DE.</p> <p>4. DE should adjust the District's membership data and correct any resulting over or underpayments.</p>	<p><b>Background:</b></p> <p>Our prior audit of documentation supporting pupil membership reports submitted to DE for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found errors in resident data submitted for the 2005-06 school year only. The errors resulted in an understatement of 1,080 elementary membership days and an overstatement of 15,376 secondary membership days.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District properly reported resident membership for the 2006-07 school year. Additionally, as a result of our prior audit, new procedures were established.</p> <p>We concluded that the District took appropriate corrective action to address this finding.</p> <p>We contacted DE and learned that the membership revisions have been processed, and any effect on District subsidies will be determined.</p>
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<p><u>IV. Finding 4: Members of the School Board Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act</u></p> <p>1. Seek the advice of the District's solicitor in regard to its responsibility when an elected board member fails to file a Statement of Financial Interests (SFI).</p>	<p><b>Background:</b></p> <p>Our prior audit of the WPSD board members' SFIs for the years ended December 31, 2006, 2005 and 2004 found that three board members failed to file statements for 2005. District personnel indicated that the members who failed to file were no longer serving on the board at the time the SFIs were due. They further noted that they were unaware members leaving the board were required to file the statement for the last year they served on the board.</p>	<p><b>Current Status:</b></p> <p>Our current audit found all board members required to file a SFI have done so for the calendar years of 2007 and 2008. Starting in 2007, procedures were developed by the District to ensure all individuals required to file a SFI do so.</p> <p>We concluded that the District took appropriate corrective action to address this finding.</p>
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<p>2. Develop procedures to ensure that all individuals required to file SFIs do so in compliance with the Ethics Act.</p>		
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<p><u>V. Observation 1:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <p>1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on the 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.</p> <p>2. 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 access to its data and ensure that changes to the data are made only by authorized vendor representatives.</p> <p>3. Develop an agreement with the vendor to provide student accounting applications and related information</p>	<p><b>Background:</b></p> <p>Our prior audit found that the WPSD 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.</p> <p>We determined that a risk existed that unauthorized changes to the District’s data could occur and not be detected because the District was not able to provide supporting evidence that it was adequately monitored vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District has taken appropriate corrective action regarding all of our recommendations.</p>
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<p>technology services. The agreement should cover legal, financial, organizational, documentary, performance, security intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.</p> <p>4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.</p> <p>6. Upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.</p> <p>7. 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.</p> <p>8. The District's Acceptable Use Policy should include provisions for accountability (e.g., responsibilities of users,</p>		
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<p>auditing, incident handling), authentication (e.g., password security and syntax requirements), and violations/incidents. Further, all employees should be required to sign this policy.</p> <p>9. Implement a security policy and system parameter settings to require all users, including the vendor, to change their 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), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p> <p>10. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should install fire extinguishers in the computer room.</p>		
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<p><u>VI. Observation 2:</u>  <u>Internal Control</u>  <u>Weaknesses in</u>  <u>Administrative Policies</u>  <u>Regarding Bus Drivers’</u>  <u>Qualifications</u></p> <ol style="list-style-type: none"> <li>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or transportation contractors 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.</li> <li>2. Implement written policies and procedures to ensure that the District is notified when current employees of the District’s 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.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of bus drivers’ qualifications found that neither the District nor the District’s transportation contractors had written policies or procedures in place to notify them if their 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. 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><b>Current Status:</b></p> <p>Our current audit found that starting with the 2008-09 school year, the District added a line to all transportation contracts which states “The CONTRACTOR shall immediately notify the District should they or any of their drivers be charged with or convicted of any crime.”</p> <p>We concluded that the District took appropriate corrective action to address this observation.</p>
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## **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.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
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State Treasurer  
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Senator Jeffrey Piccola  
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