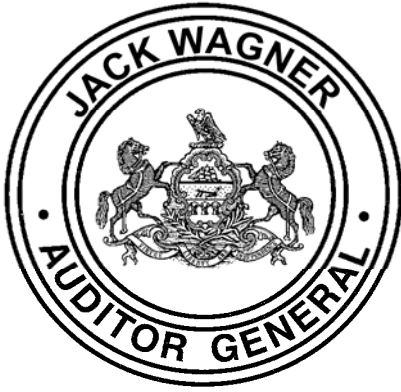


WILSON SCHOOL DISTRICT
BERKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2009

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

Mr. Jason B. Hopp, Board President
Wilson School District
2601 Grandview Boulevard
West Lawn, Pennsylvania 19609

Dear Governor Rendell and Mr. Hopp:

We have conducted a performance audit of the Wilson School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. 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 Wilson 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 Wilson School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Wilson 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 Wilson 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 finding and recommendations contained in our prior audit report, except as noted in Finding Nos. 1 through 5 listed below. We also identified internal control weaknesses as discussed in Finding No. 6 and the observation. The findings and observation are further discussed in the Conclusions section of this report:

Objective No. 1

- Finding No. 1 – Pupil Transportation Reporting Errors Resulted in a \$79,201 Reimbursement Underpayment
- Finding No. 2 – Tuition Billing Errors Resulted in a \$40,968 Net Underbilling by the District, and a \$1,042 Overpayment by the District
- Finding No. 3 – Certification Irregularities
- Finding No. 4 – School Bus Driver Qualifications Irregularity
- Finding No. 5 – Memorandum of Understanding Not Updated Timely
- Finding No. 6 – Unmonitored Vendor System Access and Logical Access Control Weaknesses
- Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

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.

Independent Auditor's Report (Continued)

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.

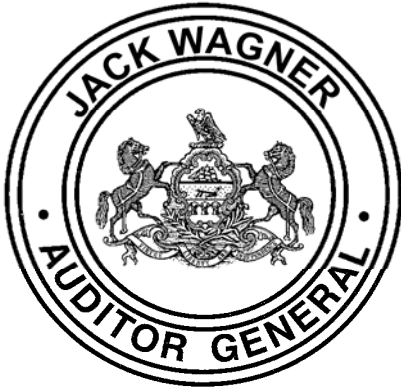
Sincerely,

/s/

JACK WAGNER
Auditor General

January 28, 2009

cc: **WILSON SCHOOL DISTRICT** Board Members



WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Wilson School District is located in Berks County and encompasses an area of 38.6 square miles. The school district has a population of 38,778, according to the 2000 federal census. The administrative offices are located at 2601 Grandview Boulevard, West Lawn, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 5,651 pupils through the employment of 28 administrators, 400 teachers, and 551 full-time and part-time support personnel. Special education was provided by the district and the Berks County Intermediate Unit #14. Occupational training and adult education in various vocational and technical fields were provided by the district and the Berks Career and Technology Center.

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 29 through 32 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 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.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Wilson 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 Wilson School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006.

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.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Wilson 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 Wilson 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 Finding Nos. 1 through 5 listed below. Additionally, we identified internal control weaknesses as noted in Finding No. 6 and the observation included in this report. The findings, observation and recommendations were reviewed with representatives of the Wilson School District and their comments have been included in this report.

Finding No. 1 – Pupil Transportation Reporting Errors Resulted in a \$79,201 Reimbursement Underpayment

Our audit of the district's transportation records for the four years of our audit period found errors in the 2005-06 school year only. Errors occurred in data submitted to the Department of Education (DE) for daily mileage, total mileage, the number of days transportation was provided, and the number of pupils transported. These errors resulted in a \$79,201 underpayment of transportation reimbursement.

Approved daily miles with and without pupils, total miles, data for spare vehicles, the number of days transportation was provided, and total pupils transported are all integral parts of the transportation reimbursement calculation. These factors must be reported accurately to DE in order to receive the correct reimbursement for pupil transportation as provided for in Section 2541 of the Public School Code (24 P.S. § 25-2541).

DE instructions for completing the end-of-year summary report require districts' to include the miles with and miles without pupils, total mileage, the number of days vehicles provided transportation to and from school, and the number of pupils transported to and from school to be based on *actual data* using the district's daily records and on the weighted or sample averaging of daily mileage.

DE has been provided a report detailing the errors for use in recalculating the district's transportation reimbursement.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Daily and Total Mileage

The errors were as follows:

- the approved daily miles with and without pupils were incorrectly reported for all 38 local education agency (LEA-owned) vehicles. Approved daily miles with and without pupils were understated by 308.2 and 184.0 miles, respectively. These errors were the result of inaccurately calculating the sample average, as defined by DE's instructions, for each bus; and
- total annual miles were incorrectly reported for all 38 LEA-owned vehicles because readings taken at the beginning and end of the fiscal years were not used to report total mileage, and data for ten spare vehicles was not reported to DE due to clerical oversight. The effect of both errors resulted in total annual miles being understated by 178,440 miles.

Number of Days

The number of days buses provided transportation to and from school was inaccurately reported for 12 of the 38 LEA-owned vehicles. This error was the result of district personnel not reporting days when transportation was provided to nonpublic students when the district was not in session.

Number of Pupils Transported

Total public school pupils transported, total public school pupils transported because of hazardous walking conditions, and total nonpublic school pupils transported were inaccurately reported. Total public school pupils were overstated by 246 pupils. Total public school pupils transported because of hazardous walking conditions and total nonpublic school pupils transported were understated by 357 and 10 pupils, respectively. These errors were the result of the newly appointed transportation coordinator's lack of knowledge of the district's transportation software package.

Recommendations

District personnel should establish procedures, based on DE guidelines, to ensure accurate reporting of all data elements used in the calculation of transportation reimbursement.

DE should adjust the district's allocations to correct the \$79,201 reimbursement underpayment.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Response of Management

Management provided the following response agreeing with the finding:

The auditor assisted in correcting errors and teaching our newly acquired Transportation Director about the 2005-06 subsidy calculation errors. The District has invested time and money in training the new Transportation Director on the software program and on how to properly prepare the pupil transportation subsidy calculations for the 2006-07 school year.

Finding No. 2 - Tuition Billing Errors Resulted in a \$40,968 Net Underbilling by the District, and a \$1,042 Overpayment by the District

Our audit of tuition bills and nonresident and resident membership data for special and regular education students found errors in tuition billed and membership days reported to DE for services provided by Wilson School District (WSD) during the 2005-06, 2004-05, 2003-04 and 2002-03 school years. These errors resulted in \$40,968 net underbilling by the district. In addition, WSD overpaid the Career and Technology Center of Lackawanna County (CTCLC) \$1,042 for a WSD student who was educated at CTCLC.

During our years of audit, nonresident students from other districts were housed in group homes located within the district. Section 1306 of the Public School Code, 24 P.S. § 13-1306, requires school districts to provide educational services to such students. Some of these nonresident students required special education services.

Section 2562 of the Public School Code, 24 P.S. § 25-2562, provides, in part:

For each elementary or high school pupil attending a public school of another district, the receiving district shall bill the sending district, and the sending district shall pay the amount of the tuition charge per elementary pupil, or the tuition charge per high school pupil, as the case may be. In the case of pupils attending the receiving district's public schools for less than a full school term, the tuition charge per elementary or high school pupil shall be prorated by reference to the period of time over which such pupils actually attended the receiving district's schools.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Section 2561(7) of the Public School Code, 24 P.S. § 25-2561-7, provides:

Special Education Tuition Charge. When the receiving district voluntarily receives exceptional children, the receiving district and sending district may agree that the sending district will pay a special education charge in addition to the applicable tuition charge. Such special education charge shall be an amount as determined by the two school districts.

Tuition Billing Errors

District personnel made the following billing errors for the 2005-06, 2004-05, 2003-04 and 2002-03 school years:

- incorrectly calculated the daily tuition rate by dividing the annual tuition rate by 182 days, instead of the actual term length of 180 days, for four students in 2005-06;
- billed for the incorrect number of days students were provided special education, for one student in 2004-05, two students in 2003-04, and one student in 2002-03;
- billed for the incorrect number of days students were provided special education and at an incorrect daily tuition rate for two students in 2005-06 and one student in 2004-05;
- billed DE for a full year of special education tuition for students who were educated part of the year at the Berks Career and Technology Center (BCTC). This error occurred for one student in 2005-06, one student in 2003-04, and one student in 2002-03; and
- failed to bill for four special education students in 2005-06, one regular education student in 2004-05, three special education students in 2003-04, and two special education students in 2002-03.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

These errors went undetected because departments responsible for tuition billing and child accounting did not reconcile tuition bills with membership records. Therefore, these errors resulted in the following over/underbillings to districts that received special education services from WSD.

<u>School District</u>	<u>2005-06</u>	<u>2004-05</u>	<u>(Over)/underbilled</u>		<u>Totals</u>
			<u>2003-04</u>	<u>2002-03</u>	
Antietam	\$ -	\$ -	\$ -	\$(4,706)	\$ (4,706)
Beaver Area	20,223	-	-	-	20,223
Conrad Weiser Area	(160)	-	(11,000)	-	(11,160)
Exeter Township	-	-	22,000	20,000	42,000
Fleetwood Area	-	-	121	-	121
Governor Mifflin	2,994	(15,934)	-	-	(12,940)
Harrisburg City	4,627	-	-	-	4,627
Muhlenberg	527	-	-	-	527
Reading	3,256	6,014	3,747	-	13,017
Schuylkill Valley	135	-	-	220	355
Tulpehocken Area	(12,250)	380	-	1,428	(10,442)
Wyomissing Area	(654)	-	-	-	(654)
Totals	\$ 18,698	\$ (9,540)	\$14,868	\$16,942	\$40,968

In addition to the aforementioned tuition billing errors, nonresident and resident membership errors were also identified during our audit. These errors were also caused by a lack of reconciliation and communication between the departments responsible for tuition billing and child accounting.

Nonresident Membership Errors

School districts are required to report membership for nonresident students attending classes within the district to DE. Our audit found that there were errors in the membership data reported. District child accounting personnel made the following nonresident membership data reporting errors:

- the child accounting department was not informed by the special education department that nonresident students from Conrad Weiser Area School District were attending BCTC, which resulted in nonresident membership overstatements of 90 and 182 days for Conrad Weiser Area in the 2005-06 and 2002-03 school years, respectively;

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

- district personnel incorrectly reported one student as a Conrad Weiser Area School District tuition student for 83 days during the 2005-06 school year; however, the student was actually a Schuylkill Valley School District student;
- district personnel incorrectly reported two Conrad Weiser Area students educated at the BCTC in a half-day program at 182 days each for the 2002-03 school year; however, both students should have only been reported for 91 days each; and
- the child accounting department was not informed by the special education department when a student's district of residence changed. This resulted in one district's membership being overstated while another district's membership was correspondingly understated. In 2005-06, 36 days were reported for Reading School District that should have been reported for Exeter Township School District. In 2003-04, 46 days were reported for Conrad Weiser Area that should have been reported for Antietam School District. Also, in 2003-04, one student was incorrectly reported as a Wyomissing Area School District student for 114 days; in fact, 111 of those days should have been reported for Reading School District.

Resident Membership Errors and District Overpayment to CTCLC

During the 2002-03 school year, a Wilson School District student was enrolled half-time at the Scranton School for the Deaf (SSD) and at CTCLC. However, during the year the student returned to Wilson School District for homebound instruction. SSD reported membership days for the time the student was enrolled at the SSD, while Wilson School District reported CTCLC and homebound membership. Wilson School District reported some days also reported by SSD, overstating the district's resident membership by 87 days.

The district overpayment to CTCLC resulted when CTCLC billed the district for a student for 90 days, when the student was only enrolled at CTCLC for 68 days. CTCLC may only charge tuition for the prorated amount of time the student was enrolled at CTCLC. The lack of reconciliation of membership records and tuition bills resulted in Wilson School District overpaying CTCLC \$1,042.

District personnel were provided detailed reports for the 2005-06, 2004-05, 2003-04 and 2002-03 school years for bill revisions.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Recommendations

District personnel should:

- establish procedures to reconcile tuition billing data with membership records;
- send revised tuition bills to Beaver Area, Exeter Township, Fleetwood Area, Harrisburg City, Muhlenberg, Reading, and Schuylkill Valley school districts to collect the amounts due;
- refund Antietam, Conrad Weiser Area, Governor Mifflin, Tulpehocken Area, and Wyomissing Area school districts for the overbilled tuition;
- obtain membership reports from the BCTC which identify all Wilson School District students enrolled at the BCTC and reconcile with district membership records and tuition bills to ensure that membership days and amounts billed are correct;
- request that CTCLC refund the district \$1,042; and
- review tuition bills and membership data for subsequent years, and if similar errors are found, submit revised billings and/or membership data to the affected districts and/or DE.

Response of Management

Management provided the following response agreeing with the finding:

We are rebilling the home school districts of group home children that we failed to properly bill since the 2002-03 school year. We are establishing procedures to collaborate between our special education department and our pupil services department in order to crosscheck placement and billing for the future.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 – Certification Irregularities

Our review of the professional employees' certification and assignments for the period August 1, 2003 through April 25, 2007, was performed to determine compliance with the Public School Code and DE's Bureau of Teacher Certification and Preparation (BTCPC), Certification and Staffing Policies and Guidelines (CSPG). Our review found:

- one individual has been employed as the district's instructional technology coordinator with an Elementary certificate from August of 2006 to current, in violation of the provisions of CSPG #78;
- one individual has been employed as Dean of Students from September of 2003 to current with a Social Studies certificate, in violation of provisions of CSPG # 95; and
- one individual was employed as the Student Assistance Program Coordinator from January of 2006 to February of 2006, and again from October of 2006 to December of 2006, without a valid certificate and before obtaining emergency home school visitor certification, in violation of the provisions of CSPG #13.

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:

[A]ny 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 certificate and assignments were submitted to BTCPC, DE, for its review. On June 14, 2007, BTCPC issued its final determination confirming the three irregularities noted above; therefore, the district is subject to subsidy forfeitures of \$8,733, \$4,735, \$3,980 and \$3,972 for the 2006-07, 2005-06, 2004-05 and 2003-04 school years, respectively, totaling \$21,420.

¹ 24 P.S. § 12-1202.

² 24 P.S. § 25-2518.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Recommendations

The superintendent should:

- take the necessary actions, based on BTCP's final determination, to ensure the individuals cited comply with certification regulations; and
- require all professional employees to have valid Pennsylvania certification prior to employment.

DE should recover the subsidy forfeitures of \$21,420.

Response of Management

Management provided the following response, dated May 25, 2007, agreeing in part with the finding:

We have since corrected all other certification findings by emergency certifying the Instructional Technology Coordinator, reassigning the Chemistry course to someone who is properly certified, and by emergency certifying the Home and School Visitor until her course work is completed for proper state certification.

The junior high school full time Dean of Students is a typical position that many school districts support through the budget. The citation on that position based on the fact that his job description indicates that "when the Principal is out of the building the Dean answers questions and takes care of problems until the principal returns" is illogical. To monetarily cite Wilson School District on this Dean of Students position would be unreasonable and costly to district residents. The Dean of Students does not ever supervise employees.

Auditor's Conclusion

As stated above, BTCP confirmed the irregularities; therefore, our finding will stand as written. Any further disagreement on the part of the district must be addressed to DE.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 – School Bus Driver Qualifications Irregularity

Our audit of personnel records for the district’s current bus drivers found that one individual did not possess the report of criminal history record information required by the Public School Code.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following five requirements:

1. possession of a valid driver’s license;
2. completion of school bus driver skills and safety training;
3. passing a physical examination;
4. lack of convictions for certain criminal offenses; and
5. official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation (PennDOT).³ As explained further below, the fourth and fifth requirements were set by the Public School Code,⁴ and the Child Protective Services Law (CPSL), respectively.⁵

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 for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the CPSL requires prospective school employees to submit 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.

We reviewed the personnel records of a random sample of 30 of the 85 drivers currently employed by the Wilson School District and the district’s transportation contractors. Our review found that one driver did not possess the report of criminal history record information required by Public School Code Section 111, commonly known as the Act 34 clearance, at the time of our audit. However, as a result of our audit, the district did subsequently obtain the criminal record check, dated April 11, 2007, which indicated the individual had no criminal record.

³ 67 Pa. Code § 71.1 *et seq.*

⁴ 24 P.S. § 1-111.

⁵ 23 Pa.C.S. § 6355.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

Without the report of criminal history records for all drivers, the district or its contractors may have in their employ drivers whose criminal histories would call into question their suitability to have direct contact with children.

District personnel indicated this was an oversight on their part. The driver in question had previously been an employee, prior to the requirement for the report on criminal history record information. The driver left employment with the district; when he later returned, district personnel mistakenly assumed that all requirements were met during the driver's previous period of employment.

Recommendations

The school board and district administrators should:

- ensure that the district's transportation coordinator reviews each driver's qualifications prior to that person transporting students; and
- maintain files, for all district drivers and work with the transportation contractors as necessary to ensure that the district's files are up-to-date and complete.

Response of Management

Management provided the following response agreeing with the finding:

We have answered this issue by acquiring proper Act 34 clearances for the bus driver who broke from Wilson service for a period of time and then returned without acquiring proper Act 34 clearances. Our Human Resources Department understands that when an employee breaks service and returns, Act 34 clearances are required as a result of the break in service.

Finding No. 5 – Memorandum of Understanding Not Updated Timely

Our review of the district's records found that the district had on file a properly signed Memorandum of Understanding (MOU) between itself and its local law enforcement agencies. However, the MOU has not been updated since July 30, 2002.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 5 (Continued)

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.⁶

Section VI, Part B of the district's existing MOU states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Recommendation

The school board and district administrators in consultation with the district's solicitor should review and update the current MOU between itself and its local law enforcement agencies.

Response of Management

Management provided the following response agreeing with the observation:

We are sending the Memorandum of Understanding letter between the Wilson School District and the local law enforcement agencies within the District by the end of the week of May 21, 2007. It was inadvertently missed due to personnel changes over the past few years.

Finding No. 6 – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Wilson School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the district's entire computer system, including all its data and the above vendor's software are maintained on Berks County Intermediate Unit #14's (BCIU) servers which are physically located at BCIU. The district has remote access into BCIU's network servers. BCIU also provides the district with system maintenance and support.

⁶24 P.S. § 13-1303-A(c).

WILSON SCHOOL DISTRICT
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Finding No. 6 (Continued)

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. Further, the district does not have evidence to support that it performs formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the district does not have evidence to support that it has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes is increased.

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.

During our review, we found that the district had the following weaknesses as of August 3, 2007, over vendor access into 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 evidence to support that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;
- the vendor has unlimited remote access (24 hours a day/7 days a week) into the district's system;
- the contract with the vendor did not contain a non-disclosure agreement for the district's proprietary information;
- the district does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;
- the district was unable to provide evidence that they require written authorization for adding, deleting, or changing a userID;

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 6 (Continued)

- the district does not require written authorization prior to the updating/upgrading of key applications or changing user data;
- the district does not have any current policies or procedures to test proposed program changes;
- the district does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy does not include provisions for authentication (e.g., password security and syntax requirements); and
- 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).

Recommendations

We recommend the district implement the following to correct vulnerabilities identified in this finding:

- the district should generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). 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;
- the district should maintain evidence that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner;

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 6 (Continued)

- the district should only allow remote access to their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes;
- the contract with the vendor should contain a non-disclosure agreement for the district's proprietary information;
- the district should maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner;
- the district should develop policies and procedures to require written authorization when adding, deleting, or changing a userID;
- the upgrades/updates to the district's system should be made only after receipt of written authorization from appropriate district officials;
- the district should develop policies and procedures to analyze the impact of proposed program changes before implementing the changes;
- 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 Acceptable Use Policy;
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements); and
- the district should 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).

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 6 (Continued)

Response of Management

Management provided the following response to our finding:

We agree with the findings concerning vendor access and Logical Access Control in regards to the Student Information management system and our relationship with The Berks County Intermediate Unit. The Wilson School district will take steps to tighten security by implementing measures such as monthly reviews of firewall logs and weekly security audits to ensure that individuals that have left the district are removed from our access lists. We recognize that we must add procedures to our attendance maintenance which allows for monthly reconciliation of membership attendance and a closer detail review for any possible unauthorized changes. We acknowledge the vendor, the BCIU, has 24x7 access to the SIS [student information system] database. This is something that if we implement the measures mentioned above we can avoid possible tampering with confidential data such as attendance accountability. However, the vendor maintains this access due to the servers physical being located at the BCIU. We again recognize that this is not a perfect arrangement by any means. The relationships between IU's for a variety of services are encouraged at the state level. The problem with some of the contracted data services is differing level of security requirements (between the vendor and the school district) and the leverage available to force changes/compliance. . . .

IMPROVEMENTS:

The Wilson school district has recently moved to a Windows networking environment and implemented active directory. We are using mandatory password expiration, password complexities and local machine account lockouts and workstation timeouts. We will require that EVERYONE who requests, works on or works with the district's data have a signed non-disclosure and AUP [acceptable use policy] on file.

The district will keep a record of reconciliation results for our new SIS attendance system.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 6 (Continued)

The district will perform security audits on firewall logs and active directory accounts to ensure our database of user is correct and that only authorized user have been successfully accessing our systems.

The district will approve IT security policies for all foreseeable data access and user account maintenance.

Auditor's Conclusion

Regardless of the location of the servers, BCIU employees should not have unlimited access (24 hours a day/7 days a week) into the district's system. We recommend that the district work with BCIU to implement logical access controls restricting BCIU employees' access into the district's system unless an authorized request has been received from the district. Access could then be granted to a particular BCIU employee until the work is completed. Once work is completed access should be removed. BCIU should then log the employee's access into the system, note what changes were made, and make this information available to the district for review.

Observation – Internal Control Weaknesses In Administrative Policies Regarding Bus Drivers' Qualifications

As stated in Finding No. 4 of this report, 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 for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.⁷

Similarly, Section 6355 of the 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.⁸

⁷ 24 P.S. § 1-111.

⁸ 23 Pa.C.S. § 6355.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

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 school districts 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. School districts 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 review found that there were no other serious crimes, as referred to in the previous paragraph, that called into question the applicant's suitability to have direct contact with children. However, neither the district nor one of its two current transportation contractors have written policy 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 for the district and its transportation contractors 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.

Recommendations

The school board and district administrators should consider, in consultation with the district's solicitor:

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

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Response of Management

Management provided the following response agreeing with the observation:

Wilson School District will place a statement regarding self-reporting criminal arrests or convictions within a 24-hour period in our employee handbook. We will place similar language in a transportation procedure manual. We are looking into establishing Board policy that would make self-reporting criminal arrests mandatory for all employees throughout the District.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Wilson School District took appropriate corrective action to address the finding 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 this finding, 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 February 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 the prior years' finding and recommendations.

Finding – Board Member Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our prior audit of district records found that one board member failed to file a Statement of Financial Interests, as required by the Public Official and Employee Ethics Act (Ethics Act), for the 2002, 2001, and 2000 reporting years.

We recommended that the board:

- seek the advice of its solicitor in regard to the board's responsibility when a member fails to file a Statement of Financial Interests; and
- develop procedures to ensure all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

The board, in its written response, concurred with the finding and recommendations, and provided the following action plan to correct the non-compliance:

- The steps to correct the situation are as follows:
 - 1) The Superintendent's Administrative Assistant maintains copies of the Statements of Financial Interest for each School Board member.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

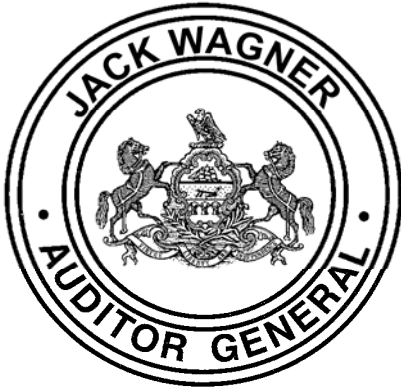
Finding (Continued)

- 2) She will make the first request for the statements three months prior to the due date with two or more follow-ups at 60 and 30 days prior to the due date.
 - 3) Then at fifteen days prior to the due date the Superintendent will contact the President of the School Board to request any delinquent member to file the required Financial Interest Statement.
- The steps have been implemented with the notices going out at 90 and 60 days for the current school year. It is expected that the next steps will occur on schedule.
 - The School Board President, Superintendent, and the Director of Finance will monitor the plan for compliance.

Our current audit found that by the beginning of the 2005 calendar year district personnel had implemented the procedures detailed in the board's reply. Due to administrative turnover and a new solicitor, the current administration could not determine if the solicitor was ever contacted regarding the board's responsibility when a member fails to file Statements of Financial Interests.

Our current review of 2006, 2005, 2004 and 2003 Statements of Financial Interests found that all board members filed their statements.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding. However, the administration should still contact its solicitor regarding board's responsibility when Statements of Financial Interests are not filed.



WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$11,150,623, \$10,228,913, \$9,516,229 and \$9,186,750, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
STATE REVENUE				
Basic Education	\$ 5,079,786	\$ 4,724,540	\$4,494,731	\$4,251,313
Charter Schools	43,796	35,514	10,482	11,036
School Performance Incentives	-	-	-	114,858
Tuition for Orphans and Children Placed in Private Homes	140,883	152,919	114,119	95,216
Homebound Instruction	476	37	623	191
Vocational Education	24,397	21,239	36,905	26,345
Driver Education	4,900	5,705	5,130	5,310
Migratory Children	200	83	-	-
Special Education	1,925,538	1,895,903	1,854,075	1,879,584
Transportation	558,493	521,248	495,188	524,989
Rental and Sinking Fund Payments	1,125,242	752,297	810,922	972,493
Health Services	108,931	106,901	102,631	100,933
Social Security and Medicare Taxes	1,145,777	1,114,086	1,060,732	1,030,258
Retirement	714,394	621,125	530,691	174,224
Other Program Subsidies/Grants:				
Pennsylvania Accountability	277,316	277,316	-	-
Dual Enrollment	494	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL STATE REVENUE</u>	<u>\$11,150,623</u>	<u>\$10,228,913</u>	<u>\$9,516,229</u>	<u>\$9,186,750</u>

WILSON 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.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

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.

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.

WILSON 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 Act 25 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.

WILSON SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

BUREAU OF SCHOOL AUDITS

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This report was initially distributed to the superintendent of the school district, the board members, and the following:

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