



**YORK SUBURBAN SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MAY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Lynne A. Leopold-Sharp, Board President
York Suburban School District
1800 Hollywood Drive
York, Pennsylvania 17403

Dear Governor Corbett and Ms. Leopold-Sharp:

We conducted a performance audit of the York Suburban School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period July 10, 2009 through August 8, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the one 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 the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

May 13, 2013

cc: **YORK SUBURBAN SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the York Suburban School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 10, 2009 through August 8, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 14 square miles. According to 2010 federal census data, it serves a resident population of 21,342. According to District officials, the District provided basic educational services to 2,872 pupils through the employment of 234 teachers, 148 full-time and part-time support personnel, and 15 administrators during the 2009-10 school year. Lastly, the District received \$6.1 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

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

Finding: Internal Control Weaknesses Regarding the Reporting of Membership Data. Our audit of child accounting data for the 2009-10 and 2008-09 school years found that District personnel were not able to provide documentation supporting the accuracy of membership data reported to the Pennsylvania Department of Education for the 2009-10 school year only (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District from an audit released on March 25, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the Memoranda of Understanding not being updated timely (see page 9) and had taken partial corrective action in implementing our recommendations pertaining to the 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 Pennsylvania 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 Pennsylvania 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 July 10, 2009 through August 8, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 school years.

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 Pennsylvania 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the District's compliance with applicable state laws, 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 received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did 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?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state

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, contracts, grant requirements, and administrative procedures.

laws, regulations, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, child accounting, and financial stability.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 25, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weaknesses Regarding the Reporting of Membership Data

Criteria relevant to the finding:

According to the Pennsylvania Department of Education's (PDE) *2009-10 PIMS User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection.

Pennsylvania Information Management System data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEAs must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our audit of child accounting data for the 2009-10 and 2008-09 school years found that the York Suburban School District (District) personnel were not able to provide documentation supporting the accuracy of membership data reported to PDE for the 2009-10 school year only.

During our audit, District personnel were unable to reconcile their student detail reports from their Student Information System (SIS) with final PDE reports in PIMS. Our review of the membership reports provided for our audit found discrepancies with the data that was reported to PDE in 10 of the 14 membership terms. Since the District was unable to reconcile or explain the majority of resident and nonresident discrepancies identified during our

preliminary review of membership records, we were not able to make any adjustments to reported membership.

The District's inability to reconcile membership discrepancies resulted from the following internal control weaknesses:

- The District was unable to provide written procedures to be followed for collection, verification, and reporting of student membership data.
- There was a lack of communication between the child accounting coordinator and the District's PIMS coordinator.
- District personnel were unfamiliar with PDE reporting guidelines.
- The District's SIS had the following inefficiencies: residency identification was difficult to verify, and membership day reports by grade lacked membership day totals (a separate report had to be generated).
- Two students, who appeared to be nonresident children placed by court according to the documentation provided by the District, had the District as the "funding" and "resident" district. This is the proper method resident students were to be reported. Therefore, the incorrect reporting of nonresidents went undetected.

Internal controls are the responsibility of management. The District noted that they did not perform any reconciliations to ensure that the data in PIMS was accurate and in agreement with their own child accounting software. The District also noted that the implementation of the new PIMS reporting process contributed to not being able to reconcile membership data for the 2009-10 school year.

Recommendations

The *York Suburban School District* should:

1. Develop and implement written procedures to address the collection, reporting, and reconciling of district-generated student detail reports to the final PDE reports for all resident and nonresident students.

2. Ensure that there is sufficient communication and input between the child accounting department and the information technology department for the processing of child accounting data through PIMS.
3. Review PIMS instructions and ensure that students' "resident" and "funding" districts are properly reported.
4. Review the capabilities of the District's child accounting software to determine if there is a more efficient way to identify student residency on the District's printouts. Also, review the software to determine if it is capable of producing membership day totals by grade. If there are any weaknesses in the functions of the software, the District should implement manual compensating controls to ensure data is being processed as efficiently as possible.
5. Maintain child accounting membership data which identifies grade, residency, membership, and grade totals for all District buildings which the District provides education and is responsible for reporting the student membership.
6. Ensure adequate documentation is obtained annually to verify all nonresidents (i.e. placing agency letters for children placed by court).
7. Review reports subsequent to the audit and if errors are found, submit revisions to PDE.

Management Response

Management stated the following:

"The administration accepts the findings concerning the 2009-10 reporting of membership data internal control weakness. The administration understands that the 2009-10 year was a particularly difficult transition throughout the state due to the change in the state reporting system to PIMS. The administration will insure that the 2009-10 state child accounting reports are corrected and that all subsequent year reports are reconciled with internal student information concerning membership."

Auditor Conclusion

Since the District was unable to reconcile the 2009-10 membership data during the audit, the District should contact PDE prior to submitting any 2009-10 membership changes subsequent to our audit. PDE generally will not accept membership changes for any school year in which the state audit has been completed.

Status of Prior Audit Findings and Observations

Our prior audit of the York Suburban School District (District) released on March 25, 2010, resulted in one finding and one observation. The finding pertained to the District's failure to update its Memoranda of Understanding with local police in a timely manner, 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, performed audit procedures, and interviewed District personnel regarding the prior finding and observation. As shown below, we found that the District did implement recommendations related to the finding. The District implemented some but not all of the recommendations related to the observation.

Auditor General Performance Audit Report Released on March 25, 2010

Finding: **Memoranda of Understanding Not Updated Timely**

Finding Summary: Our prior audit of the District's records found that the Memoranda of Understanding (MOU) with the local police departments had not been updated within the last two years.

Recommendations: Our prior audit finding recommended that the District:

1. In consultation with its solicitor, review, update, and re-execute the current MOU between the District and the local police departments.
2. Adopt a policy requiring the administration to review and re-execute the MOU in accordance with the terms of the MOU.

Current Status: Our current audit found that the District did implement our recommendations. Both MOUs were updated and re-executed on July 1, 2011. Additionally, the MOUs contain a provision to review and re-execute every two years.

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

Observation Summary: Our prior audit determined that a risk exists that unauthorized changes to the District's data could occur and not be detected. However, the risk is mitigated by the fact that the District does have adequate manual compensating controls in place to verify its data.

Recommendations:

Our audit observation recommended that the District:

1. Revise the contract with the vendor to include a non-disclosure agreement for the District's proprietary information.
2. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendors sign this policy, or require the vendors to sign the District's Acceptable Use Policy.
3. Implement a security policy and system parameter setting to require all users, including the vendors, 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).
4. Require the vendors 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 access to its data and ensure that changes to the data are made only by authorized vendor representatives.
5. Allow access to its system only when the vendors need to make pre-approved changes/updates or requested assistance. This access should be removed when the vendors have completed work. This procedure would also enable the monitoring of vendor changes.
6. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on the District's 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.
7. Limit the number of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.

Current Status:

Our current audit found that the District took appropriate corrective action on our recommendations, except for recommendations numbers four and six. Therefore, we again recommend that the District take action on these two recommendations.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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

The Honorable Ronald J. Tomalis
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. Nichole Duffy
Director
Bureau of Budget and Fiscal Management
Pennsylvania 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

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Pennsylvania Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

