



**GENERAL MCLANE SCHOOL DISTRICT
ERIE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

NOVEMBER 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. James Bucksbee, Board President
General McLane School District
11771 Edinboro Road
Edinboro, Pennsylvania 16412

Dear Governor Corbett and Mr. Bucksbee:

We conducted a performance audit of the General McLane School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period July 14, 2011 through June 7, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012 and June 30, 2011. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 relevant requirements.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

November 18, 2013

cc: **GENERAL MCLANE 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 General McLane School District (District) in Erie County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period July 14, 2011 through June 7, 2013, 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 2011-12 and 2010-11 school years.

District Background

The District encompasses approximately 114 square miles. According to 2010 federal census data, it serves a resident population of 17,300. According to District officials, the District provided basic educational services to 2,154 pupils through the employment of 166 teachers, 147 full-time and part-time support personnel, and twelve (12) administrators during the 2011-12 school year. Lastly, the District received \$14,930,766 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant 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 General McLane School District (District) from an audit released on November 14, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the reporting of pupil membership data to the Pennsylvania Department of Education (see page 6), the maintenance of bus driver qualifications credentials, and monitored vendor system access and logical control weaknesses (see page 7).

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 Section 403 of The Fiscal Code, 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 14, 2011 through June 7, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2011 through May 7, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 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 (PDE) 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ 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?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 certain relevant state laws, 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 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). 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 relevant requirements 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 controls 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 pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- 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 November 14, 2011, we reviewed the District's response to PDE dated January 18, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the General McLane School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the General McLane School District (District), released on November 14, 2011, resulted in two findings and one observation as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior findings and observation. As shown below, we found that the District did implement our recommendations related to the reporting of pupil membership, the maintenance of bus drivers' qualifications credentials, and the weaknesses noted in logical access control.

Auditor General Performance Audit Report Released on November 14, 2011

Finding No. 1: **Errors in Reporting Pupil Membership for Non-Resident Children Placed in Private Homes Resulted in Reimbursement Overpayment of \$16,991**

Finding Summary: Our prior audit of pupil membership reports submitted to PDE for the 2009-10 and 2008-09 school years found errors in the reporting of pupil membership days for children placed in private homes. The errors resulted in overpayments of \$8,739 and \$8,252 for the 2009-10 and 2008-09 school years, respectively.

Recommendations: Our audit finding recommended that the District should:

1. Carefully perform an internal audit of pupil membership records prior to submitting them to PDE, to ensure all students are classified correctly.
2. Review reports for school years subsequent to our audit years for pupil classification accuracy, and revise them if necessary.

We also recommended that PDE should:

3. Amend the District's membership reports and adjust the District's allocations to recover the overpayments of \$16,991.

Current Status: During our current audit, we found that the District did implement the recommendations and that it accurately reported its 2010-11 membership for children placed in private homes to PDE.

As of June 7, 2013, PDE had not adjusted the District's allocations to recover the overpayment of \$16,991.

Finding No. 2: School Bus Drivers' Qualifications Deficiencies

Finding Summary: Our prior audit of the District's school bus drivers' qualifications for the 2010-11 school year found not all records were on file at the time of audit.

Recommendations: Our audit finding recommended that the District should:

1. Immediately obtain the documentation referred to in our finding that is still missing to ensure drivers have proper qualifications.
2. Ensure all bus drivers' qualifications documents are on file prior to hiring them to transport students.
3. Ensure that all the bus drivers' personnel files are kept up to date.

Current Status: During our current audit, we found that the District did implement our prior recommendations. Our review of drivers hired during the 2012-13 and 2011-12 school years, as well as drivers with qualification deficiencies in the previous audit, revealed that all bus driver qualification records were on file at the District.

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation Summary: The District used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's network servers. The District was unable to provide supporting evidence that it was adequately monitoring the system.

Recommendations: Our audit observation recommended that the District should:

1. Develop an agreement with the vendor to provide student accounting applications and related information technology (IT) services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts changes should be reviewed by legal advisors.

2. The Acceptable Use Policy should include provisions authentication (e.g., password security and syntax requirements) and violations/incidents (what is to be reported to and to whom). Further, the employees should be required to sign the policy.
3. Develop policies and procedures to require written authorization when deleting or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Implement a security policy and system parameter settings to require.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. The District now has a contract in place with the vendor that was last updated on June 30, 2013. An administrative regulation was put in place to govern the use of passwords and to ensure the timely updating of those passwords. Board Policy #815 was updated to reflect how the District would enforce the unauthorized use of its information systems. In addition, the District established procedures that require the supervisor of IT to email the staff before new employees can be added or removed from the District's system. Our review also found that the District was appropriately maintaining its monitoring logs.

Distribution List

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

The Honorable Tom Corbett
Governor
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Harrisburg, PA 17120

The Honorable Carolyn Dumaesq
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1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.