

MIFFLINBURG AREA SCHOOL DISTRICT  
UNION COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2011



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

Ms. Jill Shambach, Board President  
Mifflinburg Area School District  
178 Maple Street  
Mifflinburg, Pennsylvania 17844

Dear Governor Corbett and Ms. Shambach:

We conducted a performance audit of the Mifflinburg Area School District (MASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period October 27, 2009 through May 25, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy 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 MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We appreciate the MASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

October 12, 2011

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



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period October 27, 2009 through May 25, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **District Background**

The MASD encompasses approximately 217 square miles. According to 2010 local census data, it serves a resident population of 16,240. According to District officials, in school year 2009-10 the MASD provided basic educational services to 2,246 pupils through the employment of 175 teachers, 161 full-time and part-time support personnel, and 16 administrators. Lastly, the MASD received more than \$11.1 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the MASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the MASD had taken appropriate corrective action in implementing our recommendations pertaining to their student accounting applications (see page 7).





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

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

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

Our audit covered the period October 27, 2009 through May 25, 2011.

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

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the MASD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

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

MASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the MASD's response to DE dated February 3, 2011. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Mifflinburg Area School District (MASD) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to their student accounting applications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the MASD Superintendent's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the MASD did implement recommendations related to their student accounting applications.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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

Observation Summary:

The MASD uses software purchased from Central Susquehanna Intermediate Unit #16 (IU) for its critical student accounting applications (membership and attendance). We determined that a risk exists that unauthorized changes to the MASD's data could occur and not be detected because the MASD was unable to provide supporting evidence that they are adequately monitoring all IU activity in their system.

Recommendations: Our audit observation recommended that the MASD:

1. Develop an agreement with the IU to provide student accounting applications and related information technology services. The agreement should cover legal, financial, organizational, documentary, performance, security, and intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.
2. Ensure that the District's AUP includes provisions for privacy (e.g., monitoring of electronic mail, access to files); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to whom). Further, all employees should be required to sign this policy.
3. Establish separate information technology policies and procedures for controlling the activities of IU and have the IU sign this policy, or the District should require the IU to sign the District's AUP.

4. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
5. 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 and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
6. Develop and maintain a list of users with “change” access to membership/attendance data.
7. Require the IU to assign unique userIDs and passwords to IU employees authorized to access the District system. Further, the District should obtain a list of IU employees with access to its data and ensure that changes to the data are made only by authorized IU representatives. The IU has unlimited access (24 hours a day/7 days a week) into the District’s system.
8. Only allow access to their system when the IU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the IU has completed its work. This procedure would also enable the monitoring of IU changes.
9. 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.
10. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should (install fire detectors/install fire extinguishers in the computer room).
11. Store back-up tapes in a secure, off-site location.

Current Status:

During our current audit procedures we found that the MASD did implement the recommendations.

## **Distribution List**

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

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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1010 Harristown Building #2  
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