

MONTOURSVILLE AREA SCHOOL DISTRICT  
LYCOMING COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FEBRUARY 2012



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

Ms. Ellen Stoner, Board President  
Montoursville Area School District  
50 North Arch Street  
Montoursville, Pennsylvania 17754

Dear Governor Corbett and Ms. Stoner:

We conducted a performance audit of the Montoursville Area School District (MASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 12, 2010 through November 1, 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, contracts, grant requirements, and administrative procedures, except as detailed in 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 MASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

February 24, 2012

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



## **Table of Contents**

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Finding – Continued Failure to Obtain the Pennsylvania State Police Signature on its Memorandum of Understanding .....	6
Status of Prior Audit Findings and Observations .....	8
Distribution List .....	11



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Montoursville Area School District (MASD). 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 MASD in response to our prior audit recommendations.

Our audit scope covered the period April 12, 2010 through November 1, 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**

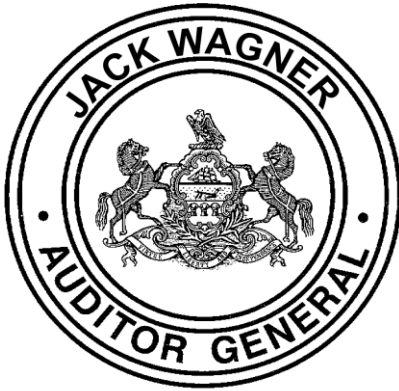
The MASD encompasses approximately 191 square miles. According to 2000 federal census data, it serves a resident population of 13,512. According to District officials, in school year 2009-10 the MASD provided basic educational services to 1,939 pupils through the employment of 146 teachers, 100 full-time and part-time support personnel, and 11 administrators. Lastly, the MASD received more than \$9.6 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, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

**Finding: Continued Failure to Obtain the Pennsylvania State Police Signature on its Memorandum of Understanding.** Our prior and current audits of the MASD found that the Memorandum of Understanding between the MASD and the Pennsylvania State Police was not signed (see page 6).

**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 the unmonitored intermediate unit system access and logical access control weaknesses (see page 9) and had not taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding (see page 8).





## 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 April 12, 2010 through November 1, 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 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 MASD'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:

- ✓ Were professional employees certified for the positions they held?
- ✓ Does the LEA have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the District taking 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 members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

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

*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.

designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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 March 4, 2011, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Continued Failure to Obtain the Pennsylvania State Police Signature on its Memorandum of Understanding

*Public School Code and criteria relevant to the finding:*

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Department of Education. The term “biennially” means “an event that occurs every two years.”

As reported in our previous audit report, Montoursville Area School District (MASD) does not have a signed Memorandum of Understanding (MOU) with the Pennsylvania State Police.

Per discussion with MASD administration, the Pennsylvania State Police continued not to sign the MOU. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two years.

The failure of the State Police to sign the MOU could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute an MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

### Recommendations

The *Montoursville Area School District* should:

1. In consultation with the solicitor, review, update and re-execute the current MOU between the MASD and the Pennsylvania State Police.
2. In consultation with the District’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.

3. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the Department of Education's Office of Safe Schools on a biennial basis as required by law.

**Management Response**

Management stated the following:

The MOU was sent to the Community Service Officer, at the State Police Barracks. He mailed the MOU to the legal branch of the State Police in Harrisburg. Legal was to review the MOU and mail back to Montoursville for signatures. After numerous attempts, the signed MOU was never returned to the Montoursville Area School District.

**Auditor Conclusion**

District updated policy on October 26, 2011, to review and re-execute the MOU every two years.

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

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Our prior audit of the Montoursville Area School District (MASD) for the school years 2007-08 and 2006-07 resulted in two reported observations. The first observation pertained to failure to obtain the Pennsylvania State Police signature on its Memorandum of Understanding, and the second observation pertained to unmonitored intermediate unit (IU) 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 questioned District personnel regarding the prior observations. As shown below, we found that the MASD did not implement recommendations related to failure to obtain the Pennsylvania State Police signature on its Memorandum of Understanding and did implement recommendations related to unmonitored IU system access and logical access control weaknesses.

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

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#### **Observation No. 1: Failure to Obtain the Pennsylvania State Police Signature on its Memorandum of Understanding**

Observation

Summary:

Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the MASD and the Pennsylvania State Police was not signed. However, the MOU was signed by the borough police department on March 9, 2010, after our auditor arrived on site.

Recommendations:

Our audit observation recommended that the MASD:

1. In consultation with the solicitor, review, update and re-execute the current MOU and the District's Emergency Procedures Plan between the MASD and the Pennsylvania State Police.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status:

During our current audit procedures, we found that the MASD did not implement the recommendations (see the current finding on page 6).

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**Observation No. 2: Unmonitored IU System Access and Logical Access Control Weaknesses**

Observation

Summary:

Our prior audit found that the MASD uses software purchased from Central Susquehanna Intermediate Unit #16 (IU) and technical support from BLaST Intermediate Unit #17 for its critical student accounting applications (membership and attendance).

Recommendations:

Our audit observation recommended that the MASD:

1. Ensure that the District's Acceptable Use Policy includes the provision that the employees be required to sign the policy.
2. Implement a security policy and system parameter settings to require all users including the IU, to change their passwords on a regular basis (i.e., every 30 days) and to use passwords that are a minimum length of eight characters.
3. 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.

Current Status:

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

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## **Distribution List**

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

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  
Department of Education  
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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, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

