

NORTHERN YORK COUNTY SCHOOL DISTRICT
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2012

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

Mr. Harry Lake, Jr., Board President
Northern York County School District
149 South Baltimore Street
Dillsburg, Pennsylvania 17019

Dear Governor Corbett and Mr. Lake:

We conducted a performance audit of the Northern York County School District (NYCSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period October 5, 2007 through June 30, 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, 2009, 2008 and 2007. 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 NYCSD 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 NYCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve NYCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the NYCSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 14, 2012

cc: **NORTHERN YORK COUNTY SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Northern York County School District (NYCSD). 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 NYCSD in response to our prior audit recommendations.

Our audit scope covered the period October 5, 2007 through June 30, 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, 2008-09, 2007-08 and 2006-07.

District Background

The NYCSD encompasses approximately 91 square miles. According to 2010 local census data, it serves a resident population of 19,079. According to District officials, in school year 2009-10, the NYCSD provided basic educational services to 3,207 pupils through the employment of 238 teachers, 194 full-time and part-time support personnel, and 17 administrators. Lastly, the NYCSD received more than \$11.9 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the NYCSD 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: Certification Deficiencies. Our audit of professional employees' certification found two individuals did not have the proper certification for their assignments for the 2010-11 school year (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the NYCSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the NYCSD had taken appropriate corrective action in implementing our recommendations pertaining to possible conflicts of interest (see page 8), failure to obtain a Memorandum of Understanding (see page 8), a board member who failed to file a Statement of Financial Interests (see page 9), internal control weaknesses regarding Memoranda of Understanding (see page 12), and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 12).

However, we found the NYCSD had taken only partial corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 9) and certification deficiencies (see page 11).

Audit Scope, Objectives, and Methodology

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 5, 2007 through June 30, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2007 through June 6, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10, 2008-09, 2007-08 and 2006-07.

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 (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 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 NYCS D'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?
- ✓ 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 buy-out 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, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observations and conclusions based on our audit objectives.

NYCSD 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 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, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 23, 2010, we reviewed the NYCSD's response to PDE dated June 20, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the PSC 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.

Recommendations

Certification Deficiencies

Our audit of professional employees' certification for the period July 1, 2007 through June 6, 2011, found two deficiencies, as follows:

- One individual was assigned to the locally titled position of Assistant to the Superintendent without obtaining the Superintendent Letter of Eligibility for the 2010-11 school year. The District belatedly asked the Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education (PDE), for a staffing determination for this position. In a letter dated June 3, 2011, BSLTQ informed the District the position required the Letter of Eligibility.
- Another individual was assigned to a Mathematics position with a lapsed Instructional I certificate for part of the 2010-11 school year.

Information pertaining to the certificates and assignments was submitted to the BSLTQ for its review. BSLTQ confirmed the deficiencies subsequent to our completion of fieldwork; the District is therefore subject to a subsidy forfeiture of \$6,011 for the 2010-11 school year.

The *Northern York County School District* should:

1. Submit all locally titled positions to BSLTQ for review in a timely manner, to determine the required certification for each position.
2. Require the currently employed individual cited in this finding to immediately obtain proper certification for the position assigned.

The *Pennsylvania Department of Education* should:

3. Recover the \$6,011 subsidy forfeiture resulting from the certification deficiencies.

Management Response

Management stated the following:

Beginning in the 2005-2006 school year, [an individual] was hired by the Northern York County School District (“NYCSD”) with an Instructional I certificate dated July, 2001. By letter dated March 31, 2011, the Pennsylvania Department of Education notified NYCSD for the first time that [the individual’s] application for an Instructional II certificate had been denied. Upon receipt of the PDE notification, NYCSD immediately suspended, then terminated [the individual’s] employment.

During the 2010-2011 school year, [an individual] served as the Assistant to the Superintendent. As [he] did not presently possess a letter of eligibility to serve as an Assistant Superintendent, [his] actual duties were limited to those tasks which do not require a letter of eligibility as outlined in CSPG No. 96. See, School District of Lancaster v. Bureau of Teacher Preparation and Certification, Certification Audit Appeal Docket No. 96-01 (Decision of Secretary Hickok dated August 12, 1998).

For school year 2011-12, NYCSD anticipates that [the individual] will continue in the role of Assistant to the Superintendent and will perform no actual duties that necessitate a letter of eligibility until such time that [he] is entitled to such a letter. Please note that the only missing component of [his] credentials is a single course on buildings and grounds that has not been offered at Shippensburg University since 2008. The course will be taken by [the individual] in September/October 2011, and [he] will be eligible for the letter of eligibility by November 1, 2011.

Auditor Conclusion

As stated in the body of this finding, BSLTQ made its determination subsequent to our completion of fieldwork, upholding the citations for the individuals noted. Any remaining disagreements on the part of the District must be addressed to PDE.

Status of Prior Audit Findings and Observations

Our prior audit of the Northern York County School District (NYCSD) for the school years 2005-06, 2004-05, 2003-04, and 2002-03 resulted in five reported findings and two observations. The findings and observations were in the areas as shown below. 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 NYCSD Board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned District personnel regarding the prior findings and observations. As shown below, we found that the NYCSD did implement all recommendations related to the findings and observations except for the unmonitored vendor system access and logical access weaknesses and certification deficiencies findings, for which the recommendations were partially implemented.

School Years 2005-06, 2004-05, 2003-04, and 2002-03 Auditor General Performance Audit Report

Finding No. 1: Possible Conflict of Interest

Finding Summary: Our prior audit of District records and board members' Statements of Financial Interests identified transactions that may have constituted a conflict of interest for two board members.

Recommendations: Our audit finding recommended that the NYCSD:

1. Strengthen controls regarding the review of Statements of Financial Interests to ensure detection of any potential conflicts of interest.
2. Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the District.

Current Status: Our current audit found that the NYCSD implemented our recommendations.

Finding No. 2: Failure to Obtain Memorandum of Understanding

Finding Summary: Our prior audit of the District's records found that it did not have a Memorandum of Understanding (MOU) with the local law enforcement agency responsible for coverage at the Wellsville Elementary School.

Recommendations: Our audit finding recommended that NYCS D:

Develop and obtain a current MOU between the District and the local law enforcement agency responsible for coverage at the Wellsville Elementary School.

Current Status: Our current audit found that the NYCS D implemented our recommendation.

Finding No. 3: Board Member Failed to File Statement of Financial Interests in Violation of the Public Official and Employee Ethics Act

Finding Summary: Our prior audit of District records, conducted on July 5, 2007, found that one former board member failed to file a Statement of Financial Interests for the year ended December 31, 2005.

Recommendations: Our audit finding recommended that the NYCS D:

1. Seek the advice of its solicitor in regard to the board’s responsibility when an elected board member fails to file a Statement of Financial Interests.
2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Current Status: Our current audit found that the NYCS D implemented our recommendations.

Finding No. 4: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Finding Summary: The NYCS D uses software purchased from the Capital Area Intermediate Unit #15 (CAIU) for its critical student accounting applications. Additionally, the District’s entire computer system, including all its data and the above software, is maintained on the CAIU’s servers, which are physically located at the CAIU. The District has remote access into the CAIU’s network servers, with CAIU providing system maintenance and support. Our prior audit found that a risk existed that unauthorized changes to the District’s membership data could occur and not be detected, which could result in the District not receiving the funds to which it was entitled from the state.

Recommendations:

Our audit finding recommended that NYCSD:

1. Generate monitoring reports (including firewall logs) of the CAIU and employee remote access and activity on its 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.
2. 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.
3. Allow remote access to its system only 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.
4. Ensure that the contract with the CAIU contains a non-disclosure agreement for the District's proprietary information.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the CAIU sign this policy, or require the CAIU to sign the District's Acceptable Use Policy.
8. Include provisions in its Acceptable Use Policy for accountability (responsibilities of users, auditing, incident handling), authentication (e.g. password security and syntax requirements) and violations/incidents (what is to be reported and to whom).
9. Implement a security policy and system parameter settings to require all users, including the CAIU, to change 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).

Current Status:

Our current audit found that the NYCSD partially implemented our recommendations. The District implemented recommendations 3, 4, 5, 7, 8 and 9. However, they did not implement recommendations 1, 2, and 6. Therefore, we again recommend that the NYCSD:

1. Generate monitoring reports (including firewall logs) of the CAIU and employee remote access and activity on its 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.
2. 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.
3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.

Finding No. 5:

Certification Deficiencies

Finding Summary:

Our prior audit of professional employees' certification and assignments from September 25, 2003 through June 30, 2007, was performed to determine compliance with the Public School Code and Bureau of School Leadership and Teacher Quality's (BSLTQ) Certification Staffing Policies and Guidelines. Our audit found that two individuals had not obtained the required certification for their assignments. BSLTQ confirmed the deficiencies; therefore, the District was subject to total subsidy forfeitures of \$5,679 for the 2005-06, 2004-05, and 2003-04 school years.

- Recommendations: Our prior audit finding recommended that the NYCSD:
1. Take necessary action required to ensure compliance with certification regulations.
- We also recommended that PDE:
2. Adjust the District's allocations to recover the subsidy forfeitures of \$5,679.

Current Status: Our current audit found that the NYCSD did not implement our recommendation from the prior audit. Although the certification deficiencies for the two individuals cited in the prior audit were corrected, other deficiencies were noted, as detailed in the finding of this audit report (see page 6). We also found that PDE did not adjust the District's allocations. We again recommend that PDE adjust the District's allocations to recover the subsidy forfeitures of \$5,679.

Observation No. 1: Internal Control Weaknesses Regarding Memoranda of Understanding

Observation Summary: Our prior audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and two of its three local law enforcement agencies were signed July 15, 2003, and March 7, 2005, respectively, and had never been updated.

- Recommendations: Our audit observation recommended that the NYCSD:
1. In consultation with the solicitor, review, update and re-execute the current MOUs between the District and two of its three local law enforcement agencies.
 2. Adopt a policy requiring the administration to review and re-execute all MOUs every two years.

Current Status: Our current audit found that the NYCSD implemented our recommendations.

Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary: Our prior audit found that neither the District nor its contractors had written policies or procedures in place to ensure that they were notified if current employees were 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.

Recommendations:

Our audit observation recommended that the NYCSD:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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.
2. Implement written policies and procedures to ensure the District is notified when 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.

Current Status:

Our current audit found that the NYCSD implemented our recommendations.



Distribution List

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

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