

SCHOOL DISTRICT OF THE BOROUGH OF WILKINSBURG
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2011

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

Ms. Karen Payne, Board President
School District of the Borough of Wilkinsburg
718 Wallace Avenue
Wilkinsburg, Pennsylvania 15221

Dear Governor Corbett and Ms. Payne:

We conducted a performance audit of the School District of the Borough of Wilkinsburg (SDBW) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 30, 2008 through October 27, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 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 SDBW complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding, observation and recommendations have been discussed with SDBW's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SDBW's operations and facilitate compliance with legal and administrative requirements. We appreciate the SDBW's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 9, 2011

cc: **SCHOOL DISTRICT OF THE BOROUGH OF WILKINSBURG** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the School District of the Borough of Wilkesburg (SDBW). 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 SDBW in response to our prior audit recommendations.

Our audit scope covered the period May 30, 2008 through October 27, 2010, 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 2007-08 and 2006-07.

District Background

The SDBW encompasses approximately 3 square miles. According to 2000 federal census data, it serves a resident population of 19,196. According to District officials, in school year 2007-08 the SDBW provided basic educational services to 1,428 pupils through the employment of 161 teachers, 28 full-time and part-time support personnel, and 17 administrators. Lastly, the SDBW received more than \$11.9 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SDBW complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Inadequate Documentation to Support Tuition for Orphans and Children Placed in Private Homes.

Our audit of pupil membership records for the 2007-08 and 2006-07 school years found that the SDBW did not maintain adequate documentation to support the membership for students reported to the Department of Education as nonresident students placed in private homes. As a result, we were unable to verify the correctness of the amounts the SDBW received from the Commonwealth as tuition for orphans and children placed in private homes (see page 6).

Observation: Memorandum of Understanding Not Updated Timely.

Our audit found that the Memorandum of Understanding between the SDBW and the local law enforcement agency was not updated on a timely basis (see page 8).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the SDBW from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the SDBW had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 10).

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 May 30, 2008 through October 27, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2007 through June 30, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 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 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 SDBW'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:

- ✓ Were professional employees certified for the positions they held?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SDBW 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, 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 SDBW operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 2, 2009, we reviewed the SDBW's response to DE dated November 24, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Inadequate Documentation to Support Tuition for Orphans and Children Placed in Private Homes

Criteria relevant to the finding:

Section 1305 of the Public School Code provides for Commonwealth payment of tuition for a nonresident child who is placed in the home of a resident of the school district by order of court, or by an arrangement with an association, agency or institution having the care of neglected and dependent children, when such resident is compensated for keeping the child. The parent or guardian of such child must reside in a different school district than the district in which the foster parent resides.

Our audit of pupil membership records for the 2007-08 and 2006-07 school years found that the District did not maintain adequate documentation to support the students reported to the Department of Education (DE) as nonresident students placed in private homes.

As a result, we were unable to verify the accuracy of the payments received by the District as tuition for orphans and children placed in private homes in the following amounts: \$469,235 for the 2007-08 school year and \$482,450 for the 2006-07 school year.

The deficiencies occurred because the District failed to obtain confirmation letters from child placement agencies to verify residency of natural parents and/or legal guardians of the students, and to verify that these foster parents were being compensated.

Pupil membership must be maintained in accordance with DE guidelines and instructions, since this data is a major factor in determining the District's receipt of Commonwealth-paid tuition for children placed in private homes.

Recommendations

The *School District of the Borough of Wilkesburg* should:

1. Provide regular in-service training to administrative and clerical personnel responsible for recording and reporting membership data. This training should stress the importance of maintaining accurate records and the relationship of membership data to state subsidies and reimbursements.
2. Develop procedures to ensure proper classification of students enrolling in the District as resident or nonresident students, and document the district of residence of the natural parent or guardian.

3. Review reports submitted to DE subsequent to the years audited, and submit revised reports if errors are discovered.

Management Response

Management stated the following:

Child placement agencies failed to provide the District with confirmation letters to verify residence of natural parents and/or legal guardians of the students. Hence, District administration will provide proper training to these agencies for them to comply with PDE requirements to assure all confirmation letters are prepared and submitted by them to the District child accounting staff to be filed. Also, foster care parent [will] provide proof of residency at the time of student enrollment.

Observation →

Criteria relevant to the observation:

Section 13-1303A(c) of the Public School Code provides:

All school entities shall develop a memoranda of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with the local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Educational Circular issued by DE entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions item B of this sample states:

This Memorandum may be amended or modified at any time upon written consent of parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Memorandum of Understanding Not Updated Timely

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and the local law enforcement agency has not been updated, and was also lost during a period when personnel changes occurred.

The failure to update the MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between District employees and the local law enforcement agency if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *School District of the Borough of Wilkinsburg* should:

1. Review, update and re-execute the current MOU between the District and the local law enforcement agency.
2. Adopt a policy requiring the administration to renew and re-execute the MOU every two years.

Management Response

Management stated the following:

The District will develop an MOU with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Status of Prior Audit Findings and Observations

Our prior audit of the School District of the Borough of Wilkinsburg (SDBW) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported observation. The observation pertained to an outside software vendor having remote access into the District's servers. 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 SDBW Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the SDBW did implement recommendations related to the adequate monitoring of software vendor activity in the District's system.

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

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

Observation Summary: Our prior audit found the SDBW uses 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 servers.

Based on our audit procedures, we determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.

Recommendations: Our audit observation recommended that the SDWB:

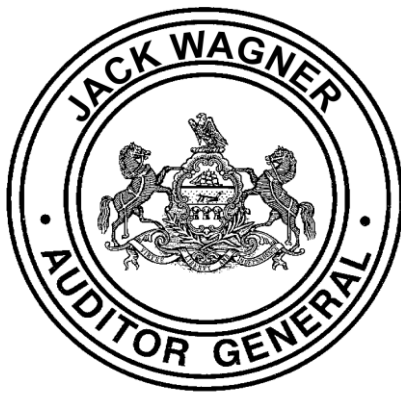
1. Have the contract with the vendor reviewed by legal counsel.
2. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
3. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
4. Include in the District's Acceptable Use Policy provisions for authentication (password syntax requirements).

5. Implement a security policy and system parameter settings to require all users, including the vendor, to maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords) and lock out users after three unsuccessful attempts.

Current Status:

Our current audit found that a detailed corrective action plan was presented to DE that addressed our recommendations and this plan was subsequently implemented.

Based on the results of our current audit, we concluded that the SDBW did take appropriate corrective action to address this observation.



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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