

PERFORMANCE AUDIT

Montour School District Allegheny County, Pennsylvania

December 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Micheal Ghilani, Superintendent
Montour School District
225 Clever Road
McKees Rocks, Pennsylvania 15136

Mr. Dean Caliguire, Board President
Montour School District
225 Clever Road
McKees Rocks, Pennsylvania 15136

Dear Dr. Ghilani and Mr. Caliguire:

We conducted a performance audit of the Montour School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). We also evaluated the application of best practices in the area of school safety. Our audit covered the period November 6, 2011 through October 13, 2015, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. 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 applied best practices and complied, in all significant respects, with relevant requirements, except as detailed in two findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

December 10, 2015

cc: **MONTOUR 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 District. 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 November 6, 2011 through October 13, 2015, 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 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 21 square miles. According to 2010 federal census data, it serves a resident population of 25,472. According to District officials, the District provided basic educational services to 2,894 pupils through the employment of 237 teachers, 188 full-time and part-time support personnel, and 24 administrators during the 2011-12 school year. The District received \$10,050,967 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District applied best practices and complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for two compliance related matters reported as findings.

Finding No. 1: Errors in Reporting Student Membership to PDE Resulted in Reimbursement Overpayments of \$25,142. Our audit of the District's non-resident pupil membership for the 2010-11 and 2011-12 school years found errors in the reports submitted by the District to the Pennsylvania Department of Education (PDE). These errors resulted in \$25,142 of state subsidy overpayments for non-resident orphans and children placed in private homes (foster children) for the 2011-12 and 2012-13 payable years (see page 8).

Finding No. 2: The Former Superintendent Allowed the Former Special Education Director to Maintain Full-Time Employment with the District While Working Only Part-Time at the District. The former Superintendent gave permission, without the knowledge of the Board of School Directors (Board), to the former Special Education Director to work "flex hours" so that she could engage in private employment with a university (see page 10).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District, we found that the District did implement our recommendations related to internal control weaknesses in transportation operations (see page 21), failure to have bus drivers' qualifications on file (see page 22), and continued internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 24).

The District did not completely implement our recommendations related to internal control lapses within the District's business office (see page 14), the delayed application for Commonwealth reimbursement resulting in lost investment revenue (see page 17), certification deficiencies (see page 18), and unmonitored vendor system access and logical control weaknesses (see page 23).

The District did not implement our recommendations related to violations of the Public School Code (PSC) and board policy and internal control weaknesses noted in hiring practices (see page 19), and the District's lack of internal controls over its student activity funds, which resulted in a violation of board policy and the PSC (see page 20).

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 PDE, 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 PSC 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 November 6, 2011 through October 13, 2015. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 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 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. More specifically, we sought to determine answers to the following questions, which serve as our audit objectives:

- ü Were professional employees certified for the positions they held?
 - o To address this objective, the auditors reviewed and evaluated certification documentation for all 14 teachers and administrators that did not have permanent certificates, were newly hired, or changed assignment for the period July 1, 2013 through June 30, 2014.

Ü In areas where the District received state subsidies and reimbursements based on non-resident pupil membership, did it follow applicable laws¹ and procedures?

- To address this objective, the auditors reviewed placement information on all 19 of the District's non-resident students for the 2010-11 school year and all 14 of the District's non-resident students in the 2011-12 school year.

Ü In areas where the District received state subsidies and reimbursements based on rental and sinking fund reimbursements, did it follow applicable laws?²

- To address this objective, the auditors reviewed bond payment schedules and compared the payment schedules to the applications for reimbursement to ensure timely and accurate reimbursement for all five of the projects that the District had ongoing for the 2010-11 and 2011-12 school years and selected two out of the five ongoing projects for 2012-13 and 2013-14 school years.

Ü Did the District ensure that bus drivers transporting District children had the necessary license, physicals, training, background checks, and clearances as outlined in applicable laws,³ and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected five drivers employed during the 2013-14 school year and determined whether the drivers had the necessary licenses, physicals, training, background checks, and clearances. The review included both district-employed and contractor-employed drivers, as appropriate.

¹ 24 P.S. § 13-1301, 13-1302, 13-1305, and 13-1306 and 22 Pa. Code Chapter 11.

² 24 P. S. § 25-2575, 25-2575.1, 25-2575.2

³ 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8.

- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

Ü Did the District ensure that the membership data it reported to PDE through the Pennsylvania Information Management System (PIMS) was complete, accurate, valid, and reliable for the most current year available?

To address this objective:

- For the 2011-12 school year, the auditors haphazardly selected 15 out of 2,971 total registered students (5 resident, 5 non-resident, and 5 area vocational-technical schools) from the vendor software listing and verified that each child was appropriately registered with the District.
- In addition, the auditors selected four out of five school terms reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template.

Ü Were there any declining fund balances that may pose a risk to the District's fiscal viability?

- To address this objective, the auditors reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2010-11 through 2012-13.

Ü Did the District take appropriate steps to ensure school safety?

- To address this objective, the auditors performed a follow-up review on a variety of documentation including student code of conduct, anti-bullying policies, and to assess whether the District followed best practices in school safety and applicable laws?⁴

Ü Did the District take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed District administrators to determine whether they had taken corrective action.
- The auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or observed these changes in person.

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, 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 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

⁴ 24 P.S. §§ 13-1302-A, 1302.1-A, 13-1303-A, and 13-1303.1-A.

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, financial stability, reimbursement applications, 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.

To determine the status of our audit recommendations made in a prior audit report released on December 14, 2012, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Errors in Reporting Student Membership to PDE Resulted in Reimbursement Overpayments of \$25,142

Criteria relevant to the finding:

Section 1305 of the PSC, 24 P.S. § 13-1305, provides for the Commonwealth payment of tuition for non-resident foster children.

Section 2503(c) of the PSC, 24 P.S. § 25-2503(c), provides that the Commonwealth will pay tuition to districts providing education to nonresident children placed in private homes. The payments are based on the membership days reported for such children.

Our audit of the District’s non-resident pupil membership for the 2010-11 and 2011-12 school years found errors in the reports submitted by the District to PDE. District personnel could not provide complete documentation to support the membership days for the non-resident students and foster students they submitted. These errors resulted in over payments and are as follows:

<u>School Year</u>	<u>Residency Classification</u>	<u>Classification</u>	<u>Number of Days Overstated</u>	<u>Total Overpayment</u>
2010-11	Foster	Secondary	11	\$ 714
2011-12	Foster	Elementary	69	4,142
	Wards of the State	Secondary	299	<u>20,286</u>
			Total	\$25,142

The errors occurred because District personnel did not compare PDE’s preliminary Summary of Child Accounting Data, which is supplied to all of the LEAs in the Commonwealth in April of each year, for the District’s use in reconciling the child accounting data submitted into PIMS. Had a comparison been done, they would have noticed that they did not have supporting documentation for the membership days that they reported and could have made appropriate corrections prior to the finalization of the District’s Summary of Child Accounting at the end of the school year.

District management is ultimately responsible for the accuracy of the student data that PDE uses to calculate the District’s state subsidies. The District did not have the proper policies and procedures in place to ensure that its staff submitted correct information to PIMS. Without these internal controls, the District cannot be sure that the information it sends to PDE is accurate, jeopardizing the District’s state subsidy.

We have provided PDE with a report detailing the non-resident membership errors for use in recalculating the District's tuition for foster children.

Recommendations

The *Montour School District* should:

1. Maintain placement letters for all foster children for audit.
2. Put into place policies and procedures for verifying student data reported to PDE through PIMS.
3. Review membership reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust the District's allocations to correct the overpayment of \$25,142.

Management Response

Management stated the following:

“During the two years in question, the District experienced turnover in the child accounting function which it attributes to the errors noted in the finding and has taken steps to correct these issues.”

Auditor Conclusion

We will determine the effectiveness of any and all corrective actions during our next audit of the District.

Finding No. 2

The Former Superintendent Allowed the Former Special Education Director to Maintain Full-Time Employment with the District While Only Working Part-Time at the District

In August 2014, the District commissioned an outside counsel to investigate the former Special Education Director (former Director) who did not regularly show up for work at the District due to her employment with a local university. On January 6, 2015, the special report concluded that the Director was paid \$110,000 annually by the District while not devoting full-time to her district duties. The arrangement, which began in January 2014, was approved by the former Superintendent of the District, who believed that he was within his job duties to allow this arrangement and did not seek board approval for this decision. This action violated the District's Board Policy #003 (cited below), by not informing the Board promptly of his actions.

“In situations which arise within the district where the Board has provided no guidelines for administrative action, the Superintendent shall have the power to act, but his decisions shall be subject to review by action of the Board. . . . It shall be the duty of the Superintendent to inform the Board promptly of such action and the need for policy.”

The former Superintendent insisted, during interviews with the special investigator, that he knew where the former Director was at all times and that her parallel employment with the local university did not have any effect on District operations.

District personnel were told by the former Superintendent to reach the former Director via text messages on her mobile phone even though the former Director was a full-time administrator with an office and a secretary in the building. Interviews by the special investigator also revealed that when personnel questioned the former Superintendent about the former Director's whereabouts, they were told that she was attending meetings on the former Superintendent's behalf and should not be bothered. The special report detailed a work schedule agreement that allowed the former Director to spend Tuesday and

Thursday mornings at the university, as well as Wednesday afternoons. The report also detailed the amount of times the former Director entered the school building where her office was located through her district security card being “swiped.” Her “swipes” between April and her resignation in August 2014 are shown below:

<u>Month</u>	<u># of “Swipes”</u>
April	7
May	13
June	14
July	10
August	8

The former Superintendent’s statements regarding the effect on District operations have been refuted by multiple District personnel who were interviewed during the special investigation. For example, building principals stated that they could not reach the former Director for consultations, and, in April, the assistant business manager was unable to get a response to requests for assistance to complete reports that were required to ensure the District received federal monies.

Additionally, Individual Education Programs were not changed timely, resulting in special education students being placed into remedial classes instead of their elective classes. Also, a special education management software program was not implemented on time, resulting in the District being forced to run two software programs simultaneously for an additional year.

The Board approved a resolution in a special board meeting on January 8, 2015, to place the former Superintendent on a paid leave of absence effective January 9, 2015, until his effective retirement date March 31, 2015.

Previously, the former Director had resigned from the District on August 28, 2014, and is presently listed as a staff member of a local university with a start date of January 2014.

While the former Superintendent and former Director in question are no longer District employees, the current Board President and Superintendent could not provide written policies to show that the District was protecting themselves from this type of situation re-occurring.

Recommendations

The *Montour School District* should:

1. Immediately enforce Board Policy #003 requiring the Superintendent to obtain board approval prior to making any changes in work schedules for District employees.
2. Immediately develop a review process to ensure that all District employees are fulfilling their contract requirements in regard to approved work schedules.

Management Response

Management stated the following:

“The Board of School Directors authorized an independent investigation of the allegations set forth in the finding. [The former Director] had resigned when the allegations surfaced. Based upon the findings in the report, the Board gave notice of its intent to proceed to initiate termination proceedings against the [former] Superintendent and he resigned for the purpose of retirement effective March 31, 2015. There was no severance payment made. He took sick leave based upon medical submission from January 2015 through the date of his resignation.

The District is in the process of reviewing and updating all of its policies with the PSBA [Pennsylvania School Boards Association] and will institute a policy requiring the Superintendent to obtain Board approval prior to making any changes in work schedules of District employees. In addition, all administrators will be required to report any outside employment to the Board.”

Auditor Conclusion

We are pleased that the District is in the process of updating the policies of the District to aid in the prevention of future abuses by administrative staff. We will review the effectiveness of those policy updates during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on December 14, 2012, resulted in seven findings and two observations. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior findings and observations. As shown below, we found that the District did implement our recommendations related to internal control weaknesses in transportation operations, failure to have bus drivers' qualifications on file, and continued internal control weaknesses in administrative policies regarding bus drivers' qualifications. The District did not completely implement our recommendations related to internal control lapses within the District's business office, the delayed its application for Commonwealth reimbursement resulting in lost investment revenue, certification deficiencies, and unmonitored vendor system access and logical control weaknesses. The District did not implement our recommendations related to violations of the PSC and board policy and internal control weaknesses noted in hiring practices and the District's lack of internal controls over its student activity funds, which resulted in violation of board policy and the PSC.

Auditor General Performance Audit Report Released on December 14, 2012

Prior Finding No. 1: Internal Control Lapses Within the District's Business Office Resulted in a Loss of \$400,483 in Taxpayer Funds (Partially Resolved)

Prior Finding Summary:

Our prior audit of the District found that for the past several years, the District's operations, recordkeeping, and managerial activities lacked the appropriate level of oversight and resulted in a loss of taxpayer funds.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Review policies and procedures to ensure that the concepts of fiscal responsibility and accountability to the taxpayers are addressed by the Board and the District.
2. Establish procedures to ensure that any application requirements for grant funds are properly completed and remitted in a timely manner.
3. Establish procedures for the completion of the Annual Financial Report (AFR) and the maintenance of supporting documentation on file.
4. Establish procedures to ensure that any certifications of fund balances that are made to PDE present an accurate financial picture of the District and are in accordance with the PSC.

5. Require the business office to work in conjunction with the Board Treasurer on the financial information and require that statements are presented to the Board.
6. Establish procedures to ensure that expenditures from all funds are board approved and are in accordance with the PSC.
7. Ensure all payments made for health insurance premiums are made in accordance with professional employee contracts and the Act 93 agreement.
8. Review the practice of having the Director of Fiscal Management and the Board Secretary being the same individual.
9. Stop the practice of re-hiring annuitants; if such hiring's are necessary, ensure that all requirements of the Public School Employees' Retirement System are followed prior to the Board's approval.
10. Require new board members to undergo training prior to taking the oath of office to ensure that they understand the responsibilities they are undertaking.

Current Status:

During our current audit, we noted the District took corrective action as follows:

Recommendation 1 has been implemented. The Board has adopted policies to address fiscal responsibility and accountability to the taxpayers.

Recommendation 2 has not been implemented. District personnel could not provide the auditor with any written policy or procedures for filing for state reimbursements or grants.

Recommendation 3 has been implemented. The District has procedures for the completion of the AFR and the documentation that supports it.

Recommendation 4 has not been implemented. Although the District has policies in place addressing the completion of the AFR and the certification of fund balances to PDE, our comparisons between the AFR and the independent auditor's financial statements again found differences in the amounts reported for the assigned and unassigned general fund balances. It should be noted

that the certification for the 2013-14 year estimation is more in line with the independent auditor's financial statement.

Recommendation 5 has not been completely implemented. The Board is receiving more financial information; however, that information is still incomplete. The Board does not receive information regarding investments or the interest earned, or the level of restricted and unrestricted cash available at the end of the month. Additionally, the Board Treasurer did not sign the reports given to the Board.

Recommendation 6 has been implemented. The Board is provided with a complete listing of bills from all funds as well as a summary report of all expenditures.

Recommendation 7 has been implemented. Health insurance premiums were made in accordance with employee contracts and the Act 93 agreement.

Recommendation 8 has been implemented. The Business Manager and Board Secretary are no longer the same individual.

Recommendation 9 has been implemented. No retired employees were hired as consultants.

Recommendation 10 has not been completely implemented. New board members received in December 2013 did receive new board member training. However, there is no on-going board member training or professional development being provided.

We again recommend that the Montour School District should:

1. Establish procedures to ensure that any application requirements for grant funds are properly completed and remitted in a timely manner.
2. Follow the established procedures regarding the certification of fund balances to ensure that they present an accurate financial picture of the District.
3. Provide treasurer's reports to the Board that include information regarding investments, interest, and restricted and unrestricted cash amounts. Also, require the Board Treasurer to sign all treasurers reports provided to the Board.

4. Provide on-going training to board members at least two to five times a year.

Prior Finding No. 2:

District Delayed Its Application for Commonwealth Reimbursement Resulting in Lost Investment Revenue (Partially Resolved)

Prior Finding Summary:

Our prior audit of the District's rental and sinking fund payments and applications for reimbursement for school construction projects found that beginning in August 2003, the District ceased submitting reimbursement applications for three ongoing construction projects totaling \$1,076,836.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Implement adequate internal controls over its operations, so that no single administrator has complete autonomy. In doing so, it should establish a clear chain of command and a transparent review process for all administrators.
2. Establish a formal written process for filing all reimbursement and grant applications. This procedure should include deadlines for taking action and directions on what happens if the District or PDE misses that deadline.
3. Apply to PDE's Division of School Facilities for any lease reimbursements associated with future school construction projects in a timely manner.

Current Status:

During our current audit, we found that the District has implemented recommendations 1 and 3. Internal controls are in place, and no one administrator has complete autonomy over procedures. Applications were applied for in a timely manner for the 2012-13 and 2013-14 school years.

The District has not implemented Recommendation 2. We found that the District has not established formal written procedures for filing reimbursement and grant applications. We reiterate that the District establish a formal written process for filing all reimbursement and grant applications to ensure that reimbursements continue to be applied for and received in a timely manner.

Prior Finding No. 3:

Certification Deficiencies (Partially Resolved)

Prior Finding Summary:

Our prior audit of the District's professional employees' certification and assignments found that four teachers and two administrators were assigned to positions outside their areas of certification. In addition, one teacher had been teaching for two-and-a-half years with a lapsed provisional certificate.

PDE's Bureau of School Leadership and Teacher Quality (BSLTQ) confirmed the deficiencies, and the District was subject to subsidy forfeitures of \$77,387 covering the 2007-08 through 2010-11 school years.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Assign positions only to professional personnel who hold appropriate certification to qualify for the assignments.
2. Ensure that personnel with provisional certificates obtain permanent certification before they lapse.

We also recommended that PDE should:

3. Make necessary adjustments to the District's allocations to recover the subsidy forfeitures accessed.

Current Status:

During our current audit, we found that the District did implement Recommendation 2. The teacher that had been teaching with a lapsed certificate received a permanent certificate on July 1, 2011.

Recommendation 1 has not been fully implemented. Two of the teachers who were assigned outside their areas of certification are no longer employed by the District, and one of the administrators has received proper certification. However, two teachers and one administrator still have not acquired proper certification and are still assigned outside their areas of certification.

In a letter to the District, dated August 26, 2011, BSLTQ detailed the certificates needed to be obtained by the teachers and administrators in question in order for them to be in compliance. The teacher assigned to teach Hospitality and Tourism was required by BSLTQ to obtain a Marketing/Distributive Education certificate. That certificate must be accompanied by an occupational competency area of Hotel/Motel Management. The teacher did obtain the Marketing/Distributive Education certificate;

however, the occupational competency area of Hotel/Motel Management was not obtained.

The teacher serving in the capacity of Gifted Services Coordinator was required to obtain a supervisory certificate in any area. However, no supervisory certificate was obtained.

The administrator assigned as Coordinator of Pupil Services was required to obtain one of the following certificates: Pupil Personnel Services Supervisor, Principal K-12 or a Letter of Eligibility. Neither of these certificates was obtained.

Information pertaining to the possible deficiencies was submitted to BSLTQ for its review. On August 21, 2014, BSLTQ determined the teachers are still assigned to positions outside their areas of certification. Therefore, the District is subject to subsidy forfeitures of at least \$20,427 for the 2011-12, 2012-13, and 2013-14 school years.

In May 2014, PDE made the necessary adjustments to the District's allocations to recover the subsidy forfeitures accessed for the 2007-08 through 2010-11 school years.

Prior Finding No. 4: Violations of the Public School Code and Board Policy and Internal Control Weaknesses Noted in Hiring Practices (Unresolved)

Prior Finding Summary:

Our prior audit of the District's operations found several weaknesses in the District's hiring procedures. Specifically, District personnel failed to follow the PSC and District policy when making payroll adjustments to professional personnel wages. In addition, the District did not maintain a uniform process for the hiring of its professional employees.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Establish improved internal controls over its hiring processes and procedures that require written approvals and authorizations when salary assignments are made to new employees. In addition, the District should make adherence to these requirements part of the human resources' staff performance evaluations.

2. Ensure that management conducts annual salary reviews of all employees to identify and prevent inappropriate adjustments, as well as to ensure that any errors are identified.

Current Status:

Our current review of the procedures in place for the 2013-14 school year revealed that the District has not taken corrective actions to implement our recommendations.

While our audit determined that the employees reviewed were paid appropriately, the District could not show that it had procedures to follow that require written approvals and authorizations when salary assignments are made to new employees. Additionally, the District could not show that management conducts annual salary reviews of all employees to identify and prevent inappropriate adjustments or errors.

We again recommend that the District implement the prior audit recommendations to ensure that appropriate salaries and increases are paid to employees.

Prior Finding No. 5:

The District Lacked Proper Internal Controls Over Its Student Activity Funds, Which Resulted in Violation of Board Policy and the Public School Code (Unresolved)

Prior Finding Summary:

Our prior audit of student activity fund records for the 2010-11 school year found internal weaknesses in the management and control of student activity funds.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Require clubs with deficit cash balances to take immediate action to create a positive balance and prohibit the fund custodian from disbursing funds for a club if such expenditures will cause a deficit balance.
2. Comply with board policy by requiring clubs to utilize the large balances remaining in their accounts before accumulating more funds.
3. Close all inactive accounts.
4. Present monthly financial reports to the Board.

5. Ensure that the Board establishes its supervisory role over student activity funds.

Current Status:

Our current review of the procedures in place during the 2013-14 school year revealed that the District has not taken corrective action to implement our prior recommendations.

As of June 30, 2014, two clubs within the student activity fund had deficit balances. Ten of the twenty-nine activity fund clubs had balances in excess of \$1,000. Three accounts were identified as inactive. The Board did not require the administration to provide it with quarterly financial reports. We again recommend that the District implement the prior audit recommendations to ensure effective management and control of the student activity funds.

Prior Finding No. 6:

Internal Control Weaknesses Noted in Transportation Operations (Resolved)

Prior Finding Summary:

Our prior audit of transportation records for the 2007-08 school year found internal control weaknesses in transportation operations.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Review PDE guidelines to ensure that District personnel understand what documentation is required for the reporting method used.
2. Maintain on file mileage documentation and documentation supporting the greatest number of pupils transported for all routes, both morning and afternoon, in accordance with PDE guidelines.
3. Perform an internal review of all transportation routes to ensure that all transportation vehicles are utilized to their fullest capacity.
4. Perform an internal review of all transportation vehicles to verify that all the years of manufacture match the years documented on the registration cards.
5. Ensure that all bus purchases are properly accounted for in reports to PDE.

6. Ensure that all bus purchases are approved by the Board and noted in official board minutes.

Current Status:

Our current review of current procedures revealed that the District has implemented all prior recommendations. The Transportation Director has an understanding of what documentation is required for reporting. The District is maintaining mileage documentation that supports the greatest number of pupils transported for all routes for both morning and afternoon. The year of manufacture documented on the registration card will be used when reports are submitted to PDE. No new buses were purchased during the audit period.

Prior Finding No. 7:

Failure to Have All School Bus Drivers' Qualifications on File (Resolved)

Prior Finding Summary:

Our prior audit of qualifications for 25 of the 84 bus drivers employed by the District for the 2010-11 school year found that not all records were on file at the time of audit.

Prior Recommendations:

Our prior audit finding recommended that the District should:

1. Ensure that the District's transportation coordinator reviews each drivers' qualifications prior to that person transporting students.
2. Maintain up-to-date and complete files.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. All qualifications were on file for the bus drivers tested in our review.

Prior Observation No. 1:

Unmonitored Vendor System Access and Logical Control Weaknesses (Partially Resolved)

Prior Observation Summary:

Our prior audit of vendor system access found that the software vendor has remote access into the District's network servers. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the District's membership information. During our review, we found the District to have weaknesses over remote vendor access.

Prior Recommendations:

Our prior audit observation recommended that the District should:

1. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on the 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. Allow access to the 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.
3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
4. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.
5. Include in its Acceptable Use Policy provisions for authentication (password security and syntax requirement). Further, the employees should be required to sign this policy.
6. Implement a security policy and system parameter settings to require all users, including the vendor, 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 system should 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:

During our current audit, we found that the District implemented recommendations 1, 2, 3, 5, and 6. District personnel are now generating and reviewing monitoring reports of remote access activity. Vendor remote access is limited to the vendor specific devices. The network administrator disables userIDs after a period of inactivity. Although the District has not addressed the issues of password security and syntax requirements in the Acceptable Use Policy, District personnel provided documentation to show that the system settings parameters are set to meet the suggested

guidelines. New employees are provided with a copy of the District's Acceptable Use Policy.

The District has not implemented Recommendation 4. The District has not established separate IT policies for vendors/consultants nor have they required the vendor sign the District's Acceptable Use Policy. Therefore, we again recommend that the District establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.

Prior Observation No. 2: Continued Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications (Resolved)

Prior Observation Summary:

Our prior audit found that the District still did not have written policy or procedures in place to ensure that it is notified if current employees have been 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. Our prior audit review of documentation available found that there were no serious crimes that called into question applicants' suitability to have direct contact with children.

Prior Recommendations:

Our prior audit observation recommended that the District should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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 that 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:

During our current audit, we found that the District did implement our prior recommendations. Act 24 of 2011 requires current school employees to provide the appropriate forms to report whether they have any arrests or convictions. All bus drivers in our test review had the appropriate Act 24 forms on file.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter

Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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