

CENTRAL DAUPHIN SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Ford S. Thompson, Board President
Central Dauphin School District
600 Rutherford Road
Harrisburg, Pennsylvania 17112

Dear Governor Rendell and Mr. Thompson:

We conducted a performance audit of the Central Dauphin School District (CDS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 22, 2006 through June 5, 2009, 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, 2007, 2006 and 2005, as they were the most recent reimbursements subject to audit. 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 CDS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the CDS's cooperation during the conduct of the audit.

Sincerely,

/s/
JACK WAGNER
Auditor General

August 4, 2010

cc: **CENTRAL DAUPHIN SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Status of Prior Audit Findings and Observation	7
Distribution List	13



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Central Dauphin School District (CDS D). 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 CDS D in response to our prior audit recommendations.

Our audit scope covered the period November 22, 2006 through June 5, 2009, 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, 2006-07, 2005-06 and 2004-05.

District Background

The CDS D encompasses approximately 118 square miles. According to 2000 federal census data, it serves a resident population of 83,750. According to District officials, in school year 2007-08 the CDS D provided basic educational services to 10,818 pupils through the employment of 802 teachers, 260 full-time and part-time support personnel, and 81 administrators. Lastly, the CDS D received more than \$32.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Status of Prior Audit Findings and

Observation. With regard to the status of our prior audit recommendations to the CDS D from an audit we conducted of the 2003-04 and 2002-03 school years, we found the CDS D had taken appropriate corrective action in implementing our recommendations pertaining to the pupil membership (see page 7), Statements of Financial Interests (see page 8) and certification deficiencies (see page 9), as well as the observation regarding 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 November 22, 2006 through June 5, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 CDSD'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:

- ✓ 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 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.

CDS D 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.

Our audit examined the records pertaining to state ethics compliance, financial stability and Board minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 14, 2007, we reviewed the CDS D's response to DE dated October 17, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Central Dauphin School District resulted in no findings or observations.

Status of Prior Audit Findings and Observation

Our prior audit of the Central Dauphin School District (CDS) for the school years 2003-04 and 2002-03 resulted in three reported findings and an observation. 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 CDS Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the CDS did implement our recommendations related to the findings and observation.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Errors in Reporting Pupil Membership</i></u></p> <p>1. Implement procedures to obtain membership reports from the Dauphin County Technical School (DCTS) that detail the total vocational education membership days for students in approved programs that should be reported under the area vocational-technical school column of the membership reports.</p> <p>2. Implement procedures to obtain membership reports from the DCTS that detail total vocational education membership days for students in unapproved programs that should be reported under the appropriate grade column of the membership reports.</p>	<p>Background:</p> <p>Our prior audit of the CDS's membership reports and DCTS's vocational program approvals for the 2003-04 and 2002-03 school years found that CDS personnel reported vocational educational student membership days for students educated in a ninth grade exploratory program at DCTS which was not a vocational program approved by DE.</p> <p>This lack of adherence to DE requirements resulted in the possible disallowance of vocational education subsidy (VES) payable to DCTS of \$27,487 and \$21,758 for the 2003-04 and 2002-03 school years, respectively.</p> <p>In addition, District personnel failed to report resident membership days for one student educated at DCTS during the 2003-04 school year. This error resulted in an underpayment of \$303 in basic education funding (BEF) to CDS for the 2003-04 school year.</p>	<p>Current Status:</p> <p>Our current audit found DE's Bureau of Career and Technical Education provided the District with a letter dated May 29, 2008, which confirmed DE's agreement with our finding that the career exploratory program was not an approved career and technical program. However, the letter further noted that a financial penalty would not be imposed on the technical school or the District.</p> <p>DCTS revised the ninth grade program for the 2008-09 school year to comply with DE requirements.</p> <p>Our current audit found no reportable errors in vocational education or resident membership for the 2007-08, 2006-07, 2005-06 and 2004-05 school years.</p> <p>We also found that CDS and DCTS reconcile their membership reports on a regular basis throughout each school year based on the approved vocational programs.</p>

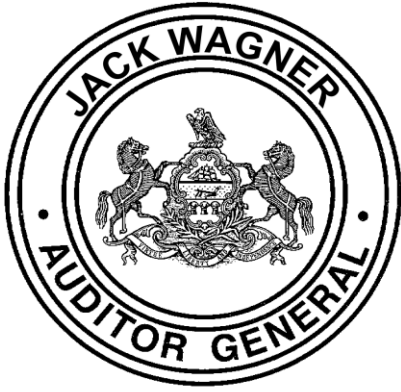
<p>3. Obtain a list of all the technical school's approved programs to ensure proper reporting of vocational education membership for VES.</p> <p>4. Review membership reports submitted to DE for years subsequent to the audit, and if errors are found, submit revised reports to DE.</p> <p>5. DE should correct the \$303 underpayment of BEF to CDS and recover the VES disallowance of \$49,245 from DCTS.</p>		<p>Therefore, we concluded that the District took corrective action based on our recommendations.</p>
---	--	---

<p><u>II. Finding No. 2: Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act</u></p> <p>1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interest (SFI).</p> <p>2. Develop procedures to ensure that all individuals required to file SFI do so in compliance with the Public Official and Employee Ethics Act.</p>	<p>Background:</p> <p>Our prior audit of the District's Statements of Financial Interests for the years ended December 31, 2005, 2004 and 2003, found four board members failed to file their statements for the 2005 year; one board member failed to file his statement for the 2004 year; and two board members failed to file their statements for the 2003 year. Subsequent to our initial review, three of the four board members who failed to file for the year ended December 31, 2005, filed their statements on September 25, 2006. These three board members were current board members as of September 25, 2006; the member who did not file was no longer on the board.</p>	<p>Current Status:</p> <p>Our current audit found that the District obtained SFI's for all of the prior board members who failed to file.</p> <p>Additionally, our review of the 2008, 2007 and 2006 SFIs confirmed all board members had filed their SFIs with the District as required.</p> <p>In January 2008, the board secretary created several standard letters to notify required individuals to file SFIs in a timely manner. In addition, e-mail reminders are sent to all individuals required to file.</p>
---	--	---

<p><u>III. Finding No. 3:</u> <u>Certification Deficiencies</u></p> <ol style="list-style-type: none"> 1. Ensure that current controls continue to track years of service for all individuals who are not permanently certified. 2. Ensure that personnel are properly certified prior to employment. 3. DE should take action to recover the \$4,049 subsidy forfeiture. 	<p>Background:</p> <p>Our prior audit of professional employees' certification for the period July 20, 2004 to November 17, 2006, found the following deficiencies:</p> <ul style="list-style-type: none"> • One guidance counselor was employed with an expired provisional certificate during the 2004-05 school year. • One administrator was not properly certified for her assignment as Coordinator of Reading/English as a Second Language and Federal Programs during the 2004-05 school year. 	<p>Current Status:</p> <p>Our current audit found the first individual cited in our prior audit was replaced by a properly certified guidance counselor during the 2005-06 school year, and the other individual left the District prior to the start of the 2005-06 school year. The District abolished the position of Coordinator of Reading and Federal Programs and assigned those job duties to the Director of Curriculum and Instruction.</p> <p>The District has also implemented a new software package that improves the tracking of the expiration deadlines of all Emergency and Level I certificates. The District sends notification letters at the beginning of the fourth and fifth years used on Level I certificates. At the start of the sixth year, letters are sent every other month followed by phone calls from the director of human resources to ensure that all Level I employees are aware of the need to obtain Level II certification.</p> <p>DE recovered the \$4,049 subsidy forfeiture on May 30, 2008.</p>
--	---	--

<u>IV. Observation:</u>	Background:	Current Status:
<p data-bbox="191 260 487 352"><u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> <li data-bbox="191 384 487 1018">1. Continue to generate monitoring reports of the vendor and employee remote access and activity on the District's 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 they are maintaining evidence to support this monitoring and review. <li data-bbox="191 1050 487 1480">2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, we recommend that the District obtain a list of vendor employees with remote access to their data and ensure that changes to the data are made only by authorized vendor representatives <li data-bbox="191 1512 487 1659">3. Include in the contract with the vendor a non-disclosure agreement for the District's proprietary information. <li data-bbox="191 1690 487 1866">4. Either establish separate information technology policies and procedures for controlling the activities of vendors/consultants and 	<p data-bbox="526 294 1063 441">Our prior audit found that the CDSD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the District's network services.</p> <p data-bbox="526 472 1071 808">We determined that a risk existed that unauthorized changes to the district's data could occur and not be detected because the District was not adequately monitoring vendor activity in their system. However, since the District had manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, that risk was mitigated. Attendance and membership reconciliations were performed between manual records and reports generated from the student accounting system.</p>	<p data-bbox="1115 294 1425 504">Our current audit found the District began using another software vendor for its child accounting functions starting with the 2008-09 school year. Therefore, we did not address the prior audit weaknesses.</p> <p data-bbox="1115 535 1425 682">Our audit found that the current vendor does not have unmonitored access to CDSD's child accounting data.</p>

<p>have the vendor sign this policy in agreement, or require the vendor to sign the District's own acceptable use policy.</p> <p>5. Include in the District's acceptable use policy provisions for authentication (i.e. password security and syntax requirements, remote location access, including strong authentication methods; all employees should be required to sign the policy.</p> <p>6. Implement a security policy and system parameter settings to require all users, including the vendor during their remote access, to change their passwords on a regular basis (i.e. every 30 days); use passwords that are a minimum length of eight characters and include alpha, numeric and special characters, maintain a password history of at least the most recent ten passwords, lock out users after three unsuccessful attempts, and log off the system after a period of inactivity (i.e. 60 minutes maximum).</p>		
---	--	--



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:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Thomas E. Gluck
Acting 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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
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.

