

DUNMORE SCHOOL DISTRICT  
LACKAWANNA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2012



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

Mr. Joseph Muracco, Board President  
Dunmore School District  
300 West Warren Street  
Dunmore, Pennsylvania 18512

Dear Governor Corbett and Mr. Muracco:

We conducted a performance audit of the Dunmore School District (DSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 5, 2009 through January 4, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the DSD 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 DSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve DSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the DSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

June 19, 2012

cc: **DUNMORE SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period March 5, 2009 through January 4, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **District Background**

The DSD encompasses approximately 8 square miles. According to 2010 federal census data, it serves a resident population of 14,057. According to District officials, in school year 2009-10 the DSD provided basic educational services to 1,615 pupils through the employment of 110 teachers, 35 full-time and part-time support personnel, and 13 administrators. Lastly, the DSD received more than \$5.8 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the DSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance related matter reported as a finding.

#### **Finding: Errors in Reporting Pupil Transportation Data Resulted in a Net Reimbursement Overpayment of \$37,979.**

Our audit of the DSD's 2008-09 pupil transportation records submitted to the Department of Education found reporting errors which resulted in a net overpayment of transportation reimbursement totaling \$37,979 (see page 6).

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

**Observations.** With regard to the status of our prior audit recommendations to the DSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the DSD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored intermediate unit system access and logical access control weaknesses (see page 8).





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period March 5, 2009 through January 4, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011 through September 21, 2011.

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

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the DSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. retirement), did it follow applicable laws and procedures?

- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

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

*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.

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

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 20, 2009, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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#### Errors in Reporting Pupil Transportation Data Resulted in a Net Reimbursement Overpayment of \$37,979

*Criteria relevant to the finding:*

DE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, number of days the vehicle provided to and from school transportation and pupils transported to and from school be based on actual data using the district's daily records and weighted averaging of mileage and pupils.

Our audit of the Dunmore School District's (DSD) 2008-09 pupil transportation records submitted to the Department of Education (DE) found reporting errors which resulted in a net overpayment of transportation reimbursement totaling \$37,979.

District personnel incorrectly reported daily mileage for six buses. District personnel doubled daily mileage with and without students on reports submitted to DE

Furthermore, District personnel incorrectly reported fare-based service on reports submitted to DE. DE's instructions require fees for fare-based services to be reported. District personnel erroneously reported mileage and vehicle data for these services.

The errors were caused by a misunderstanding of DE instructions due to new personnel in charge of reporting transportation data.

We have provided DE with reports detailing the errors to be used in the recalculation of the District's pupil transportation reimbursement.

### Recommendations

The *Dunmore School District* should:

1. Review DE instructions for completing the end-of-year summary reports to ensure proper reporting of mileage with and without pupils.
2. Implement procedures to review transportation reports prior to submitting to DE to ensure reports are correct.
3. Review subsequent years' transportation reports and revise if necessary.

The *Department of Education* should:

4. Adjust the DSD's subsidy to recover the \$37,979 net reimbursement overpayment.

**Management Response**

Management stated the following:

The miles with and without students was apparently doubled for 6 out of 7 buses. This in turn increased our reimbursement for that year. The subsequent year has been audited and the miles were reported correctly. The transportation director has been informed of the prior error and we are certain that it has not continued. We will also review the mileage on the annual report for reasonableness before submission to PDE. Also, we have no more fare-based transportation.

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

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Our prior audit of the Dunmore School District (DSD) for the school years 2007-08 and 2006-07 resulted in one reported observation pertaining to unmonitored intermediate unit (IU) system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the DSD did implement recommendations related to unmonitored IU system access and logical access control weaknesses.

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

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**Finding:** **Unmonitored IU System Access and Logical Access Control Weaknesses**

**Finding Summary:** Our prior audit found that the DSD uses software purchased from the Northeastern Educational Intermediate Unit #19 (NEIU) for its critical student accounting applications (membership and attendance). The NEIU has remote access into the District's network servers.

**Recommendations:** Our audit finding recommended that the DSD:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Ensure that the District's Acceptable Use Policy includes provisions for authentication (syntax requirements).
3. Establish separate information technology policies and procedures for controlling the activities of the NEIU and have the NEIU sign this policy, or the District should require the NEIU to sign the District's Acceptable Use Policy.
4. Implement a security policy and system parameter settings to require all users, including the vendor, to maintain passwords that are a minimum length of eight characters and include alpha, numeric and special characters.

5. Generate monitoring reports (including firewall logs) of NEIU and employee access and activity on their 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.

Current Status: During our current audit procedures, we found that the DSD did implement the recommendations.





## **Distribution List**

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

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

The Honorable Ronald J. Tomalis  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Nichole Duffy  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
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](http://www.auditorgen.state.pa.us).

