



LEBANON SCHOOL DISTRICT
LEBANON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

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

Dr. Anne Dall, Board President
Lebanon School District
1000 South Eighth Street
Lebanon, Pennsylvania 17042

Dear Governor Corbett and Dr. Dall:

We conducted a performance audit of the Lebanon School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period July 29, 2010 through August 17, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. A summary of these 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,

/s/

EUGENE A. DEPASQUALE
Auditor General

May 28, 2013

cc: **LEBANON 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 Lebanon School District (District). 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 District in response to our prior audit recommendations.

Our audit scope covered the period July 29, 2010 through August 17, 2012, 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 2009-10 and 2008-09 school years.

District Background

The District encompasses approximately 5 square miles. According to 2010 local census data, it serves a resident population of 25,477. According to District officials, the District provided basic educational services to 4,450 pupils through the employment of 313 teachers, 249 full-time and part-time support personnel, and 28 administrators during the 2009-10 school year. Lastly, the District received \$28.9 million in state funding in the 2009-10 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

Finding No. 1: Certification Deficiencies.

Our audit found that one individual did not have proper certification (see page 5).

Finding No. 2: Memorandum of Understanding with Local Law Enforcement Not Updated Timely.

Our audit found that the Memorandum of Understanding between the District and the police department with jurisdiction over school property had not been updated since June 2010 (see page 7).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the District from an audit released on December 27, 2010, we found the District had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 9).

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 Pennsylvania 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 July 29, 2010 through August 17, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2008 through August 7, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 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 the Pennsylvania Department of Education (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 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?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a 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 did 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?
- ✓ Did the District take 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 of School Directors 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 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 applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as

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.

they relate to the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures 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 internal control 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 reimbursement, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, pupil membership, professional employee certification, state ethics compliance, and financial stability.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 27, 2010, we reviewed the District's response to PDE dated January 16, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Certification Deficiencies

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC), 24 P.S. § 12-1202, provides, in part:

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

Section 2518 of the PSC, 24 P.S. § 25-2518, provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Our audit of the Lebanon School District’s (District) professional employees’ certification and assignments for the period July 1, 2008 through August 7, 2012, was performed to determine compliance with the Public School Code and the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality’s (BSLTQ) Certification and Staffing Policies and Guidelines. We found one individual, who was employed as an elementary special education teacher, did not have proper certification during the 2011-12 school year.

Information pertaining to the certificate and assignment was submitted to BSLTQ for its review. Subsequent to our fieldwork completion, BSLTQ determined that the individual was not properly certified. The District is therefore subject to a subsidy forfeiture of \$591 for the 2011-12 school year.

Recommendations

The *Lebanon School District* should:

Ensure all professional employees have current certificates and require them to obtain the required certification for the position in which they are to be employed.

The *Pennsylvania Department of Education* should:

Take action to recover any subsidy forfeiture that may be levied.

Management Response

Management stated the following:

“PDE is behind in processing certificate applications. [The individual] graduated and received a letter of completion from Lebanon Valley College on 1/4/12. He then applied for his instructional I certificate through the TIMS [Teacher Information Management System] website. PDE approved his certificate in August 2012; but only backdated it to June 2012, this should have been backdated to his application date in January 2012. The HR [human resources] department has put into place a procedure to monitor the status of applications on TIMS monthly.”

Auditor Conclusion

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

Finding No. 2

Memorandum of Understanding with Local Law Enforcement Not Updated Timely

Criteria relevant to the finding:

The Public School Code, P.S. 24 § 13-1303-A(c), as amended November 17, 2010, provides, in part:

“[E]ach chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis.”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means “an event that occurs every two years.”

Our audit found that the Memorandum of Understanding (MOU) between the Lebanon School District (District) and the police department with jurisdiction over school property had not been updated since June 2010. The District provided an updated MOU dated June 15, 2012, but it was not signed by all parties until August 13, 2012. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement every two years.

The failure to update the MOU with the police department could result in a lack of cooperation, direction, and guidance between District employees and the police department if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Lebanon School District* should:

1. In consultation with the District’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended safe schools provisions enacted November 17, 2010.
2. Adopt an official board policy requiring District administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property.

Management Response

Management stated the following:

“The district has a Memorandum of Understanding dated June 2, 2010 that was sent to PDE by June 30, 2011. Per School Code Section 1303-A . . . the revised Memo is not due to PDE until June 30, 2013. We have a new Memo signed by the Chief of Police but [it] is waiting for the superintendent’s signature because she is on vacation. We began the process of approving the new Memo back in June 2012. Our solicitor discussed the Memo with the Board in June; we sent it to the Mayor who asked her attorney to review; the Mayor went on vacation for a week; then the Chief was on vacation for a week and now [the superintendent] is on vacation. The auditors have the Memo with the Chief’s signature. I [the business manager] feel that we have clearly shown, without a doubt, that we have the Memo -- just need signatures from people who are on vacation.”

Auditor Conclusion

As stated in the body of the finding, the District provided a MOU with a date of June 15, 2012. However, the MOU was not signed by all required parties until August 13, 2012. The finding will stand as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Lebanon School District (District) released on December 27, 2010, resulted in one observation. The observation pertained to unmonitored vendor 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 audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education, performed audit procedures, and interviewed District personnel regarding the prior observation. As shown below, we found that the District did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on December 27, 2010

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

Observation Summary: The District uses software purchased from the Carbon-Lehigh Intermediate Unit #21 (Intermediate Unit) for its critical student accounting applications. The Intermediate Unit has remote access into the District's network servers. Our prior audit 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 District:

1. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the Intermediate Unit sign this policy, or require the Intermediate Unit to sign the District's Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (e.g., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric and special characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (e.g., last ten passwords) and lock out users after three unsuccessful attempts.

3. Allow access to their system only when the Intermediate Unit needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the Intermediate Unit has completed its work. This procedure would also enable the monitoring of the Intermediate Unit changes.
4. Generate monitoring reports (including firewall logs) of the Intermediate Unit 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.

Current Status:

Our current audit found that the District implemented our recommendations as follows:

1. The District now requires the Intermediate Unit to sign the District's Acceptable Use Policy.
2. The District implemented a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis.
3. The District only allows the Intermediate Unit access to its system on an as-needed basis.
4. The District generates monitoring reports for all users on a monthly basis.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditor.gen.state.pa.us, and the following stakeholders:

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The Honorable Ronald J. Tomalis
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

