

NORRISTOWN AREA SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2011

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

Ms. Denise Ashe, Board President
Norristown Area School District
401 North Whitehall Road
Norristown, Pennsylvania 19403

Dear Governor Corbett and Ms. Ashe:

We conducted a performance audit of the Norristown Area School District (NASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 25, 2009 through April 1, 2011, 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, 2009, 2008 and 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the NASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 29, 2011

cc: **NORRISTOWN AREA SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

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

Our audit scope covered the period February 25, 2009 through April 1, 2011, 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, 2008-09, 2007-08 and 2006-07.

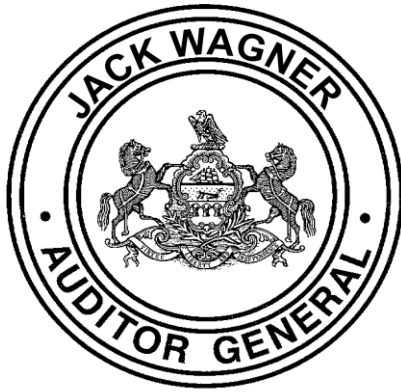
District Background

The NASD encompasses approximately 15 square miles. According to 2000 federal census data, it serves a resident population of 59,394. According to District officials, in school year 2009-10 the NASD provided basic educational services to 6,859 pupils through the employment of 608 teachers, 338 full-time and part-time support personnel, and 41 administrators. Lastly, the NASD received more than \$25.4 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the NASD 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 Observations. With regard to the status of our prior audit recommendations to the NASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the NASD had taken appropriate corrective action in implementing our recommendations pertaining to the bus driver qualifications (see page 7), the Memoranda of Understanding (see page 7), and the unmonitored vendor system access and logical access control weaknesses (see page 8).



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 February 25, 2009 through April 1, 2011, except for the verification of professional employee certification which was performed for the period February 20, 2009 through March 14, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10, 2008-09, 2007-08 and 2006-07.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education 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 NASD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

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

NASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

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

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

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 17, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Norristown Area School District (NASD) for the school years 2005-06 and 2004-05 resulted in one finding and two observations. The finding pertained to bus driver qualifications, and the observations pertained to a Memoranda of Understanding not being updated timely and 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 recommendations. We performed audit procedures, and questioned District personnel regarding the prior finding and observations. As shown below, we found that the NASD did implement recommendations related to bus driver qualifications, Memoranda of Understanding, and unmonitored vendor system access and logical access control weaknesses.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding: **Lack of Bus Driver Qualifications Documentation**

Finding Summary: Our prior audit of bus driver qualifications found that four drivers did not have updated annual physical examination certificates on file.

Recommendations: Our audit finding recommended that the NASD:

1. Include in its verification process each school year a review of updated physical examination certificates.

Current Status: Our current audit found that the District did implement our recommendations.

Observation No. 1: **Memoranda of Understanding Not Updated Timely**

Observation Summary: Our prior audit of the District's records found that the Memoranda of Understanding (MOU) with their three local law enforcement agencies were dated December 1998 and had not been updated since.

Recommendations: Our audit observation recommended that the NASD:

1. In consultation with the District's solicitor, review, update and re-execute MOUs between the District and their three local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status: Our current audit found that the District did implement our recommendations.

Observation No. 2: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation Summary: Our prior audit found that the NASD uses software purchased from an outside vendor for its critical membership and attendance applications. We found that the vendor has remote access into the District's network servers. We determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.

Recommendations: Our audit observation recommended that the NASD:

1. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, the District should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Develop and maintain a written information technology security policy and ensure that all employees are aware of this policy. The District's Acceptable Use Policy should include provisions for privacy (monitoring of electronic mail, access to files), access (acceptable use guidelines for users), accountability (responsibilities of users, auditing incident handling), and authentication (e.g. password and syntax requirements), and violations/incidents (what is to be reported and to whom).

Current Status: Our current audit found that the District did implement our recommendations.

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 Tom Corbett
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