

UPPER DARBY SCHOOL DISTRICT  
DELAWARE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010



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

Mr. Vincent Gordon, Board President  
Upper Darby School District  
4611 Bond Avenue  
Drexel Hill, Pennsylvania 19026

Dear Governor Rendell and Mr. Gordon:

We conducted a performance audit of the Upper Darby School District (UDSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 1, 2006 through August 14, 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. 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 UDSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

September 8, 2010

cc: **UPPER DARBY 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 Upper Darby School District (UDSD). 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 UDSD in response to our prior audit recommendations.

Our audit scope covered the period December 1, 2006 through August 14, 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 UDSD encompasses approximately 8 square miles. According to 2009 local census data, it serves a resident population of 90,000. According to District officials, in school year 2007-08 the UDSD provided basic educational services to 11,700 pupils through the employment of 960 teachers, 237 full-time and part-time support personnel, and 46 administrators. Lastly, the UDSD received more than \$45.4 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the UDSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

**Observation: Memoranda of Understanding Not Updated in a Timely Manner.** Our audit of the UDSD's records found that the Memoranda of Understanding between the UDSD and its three local law enforcement agencies have not been updated within the last two years (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the UDSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the UDSD had taken partial corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8) and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 10).





## 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 December 1, 2006 through August 14, 2009, except for the verification of professional employee certification which was performed for the period July 12, 2006 through August 4, 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

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 UDSD'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?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?

*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.

- ✓ 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 and conclusions based on our audit objectives.

UDSD 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 following:

- Records pertaining to bus driver qualifications and employee certification.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 13, 2008, we reviewed the UDSD's response to DE dated October 20, 2009. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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### Memoranda of Understanding Not Updated in a Timely Manner

*Criteria relevant to the observation:*

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, a Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU format to be used by school entities. Section VI, General Provisions, item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and its three local police departments were last updated October 22, 2001.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

As a result of our audit, all MOUs were updated as of July 1, 2009. Although not legally required, the Upper Darby School District obtained a MOU with the Pennsylvania State Police at the same time.

### Recommendations

The *Upper Darby School* District should:

Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

### Management Response

Management stated the following:

UDSD appointed a new Superintendent effective July 1, 2009. UDSD used this occasion as the opportunity to update its MOUs with its three constituent

municipalities. The MOUs for the three municipalities have been signed and provided to the auditors. UDSD was not aware that the MOUs were legally required to be updated on a particular schedule.

**Auditor Conclusion**

The Public School Code section regarding MOUs does not specifically call for periodic updates of the MOU. It is for this reason that we have addressed this in an observation rather than a finding. Our recommendation is based on our agreement with the Department of Education's Basic Education Circular and sample MOU, which implicitly suggests that MOUs be reviewed and re-executed every two years. We appreciate management's willingness to adopt our recommendations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Upper Darby School District (UDSD) for the school years 2003-04 and 2002-03 resulted in one finding and one observation. The finding pertained to unmonitored vendor system access and logical access control weaknesses, and the observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. 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 UDSD Board's written response to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the UDSD partially implemented our recommendations related to the finding and did implement our recommendations related to the 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: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> <li>1. The contract with the software vendor should clearly indicate that the District's interests would be protected in the event of vendor error or fraud.</li> <li>2. The contract with the vendor should contain a non-disclosure agreement.</li> <li>3. The contract with the vendor should contain a provision for the security of the applications purchased and for the security of the vendors' remote access into the District's computer.</li> <li>4. Require all users to change their passwords on a regular basis and use passwords that are a minimum length of eight characters and include alpha, numeric and special characters.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that the UDSD uses software purchased from an outside vendor for its critical student accounting (membership and attendance) applications. The vendor has remote access into the District's server for those applications.</p> <p>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 its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the UDSD implemented all of our recommendations with two exceptions: they do not use passwords that are a minimum length of eight characters and include alpha, numerical, and special characters, and the vendor has a groupID.</p> <p>Therefore, we again recommend that the District:</p> <ol style="list-style-type: none"> <li>1. Require all users to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters.</li> <li>2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system.</li> </ol>

<p>5. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system.</p> <p>6. Generate monitoring reports of the vendor 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 the data was not improperly altered. District personnel should ensure proper monitoring of the vendor.</p> <p>7. Perform some form of periodic reconciliation to ensure that there are no differences between the membership/attendance data that is backed-up and what is currently on the system.</p> <p>8. Develop a written form for adding, deleting, or changing a userID or groupID.</p>		
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<p><u>II. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Implement written policies and procedures to ensure 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.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that they were 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. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that UDSD revised its bus driver handbook beginning with the 2007-08 school year to require that any school bus driver arrested for any criminal offense by any federal, state or local authority must notify the assistant superintendent of personnel of their arrest within 24 hours, in person or in writing.</p>
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## **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.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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