

SCHOOL DISTRICT OF UPPER DUBLIN
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2011

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

Mr. Michael J. Paston, Board President
School District of Upper Dublin
1580 Fort Washington Avenue
Maple Glen, Pennsylvania 19002

Dear Governor Rendell and Mr. Paston:

We conducted a performance audit of the School District Upper Dublin (SDUD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 31, 2007 through July 1, 2010, 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 and June 30, 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 SDUD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. In addition, 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 finding, observation and recommendations have been discussed with SDUD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SDUD's operations and facilitate compliance with legal and administrative requirements. We appreciate the SDUD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 4, 2011

cc: **SCHOOL DISTRICT OF UPPER DUBLIN** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Internal Control Weakness Regarding Memorandum of Understanding	6
Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications	7
Status of Prior Audit Findings and Observations	9
Distribution List	13



Executive Summary

Audit Work

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

Our audit scope covered the period July 31, 2007 through July 1, 2010, 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 and 2006-07.

District Background

The SDUD encompasses approximately 13 square miles. According to 2000 federal census data, it serves a resident population of 25,878. According to District officials, in school year 2007-08 the School District of Upper Dublin provided basic educational services to 4,226 pupils through the employment of 337 teachers, 255 full-time and part-time support personnel, and 38 administrators. Lastly, the SDUD received more than \$8.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SDUD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Internal Control Weakness Regarding Memorandum of Understanding.

Our audit of the SDUD's records found that the current Memorandum of Understanding between the SDUD and the local police department was dated April 4, 2007, and has not been updated (see page 6).

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

Our current audit found that the SDUD had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 7).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SDUD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SDUD had not taken appropriate corrective action in implementing our recommendations pertaining to bus driver qualifications (see page 9) but had taken appropriate corrective action in implementing our recommendations 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 July 31, 2007 through July 1, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 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 (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 SDUD'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 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.

SDUD 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, and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 19, 2008, we reviewed the SDUD's response to DE dated May 11, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weakness Regarding Memorandum of Understanding

Criteria relevant to the finding:

The District's MOU with the Police Department at section V, item B, 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 (emphasis added).

Our audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and the local police department was dated April 4, 2007 and had not been updated as of our fieldwork completion date.

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 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.

Recommendations

The *School District of Upper Dublin* should:

1. Review, update and re-execute the current MOU between the District and the police department.
2. Follow the General Provisions of the District's MOU (Section V, item B), which states the MOU must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

Management Response

Management stated the following:

The most recent Memorandum of Understanding (MOU) between the School District of Upper Dublin and the police department has lapsed. Prospectively, we will review the MOU on a periodic basis to ensure that it remains current. We are in the process of updating the MOU and a copy will be provided to the Auditor General's office as soon as it is approved by both parties.

Observation →

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

Public School Code Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law, (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our current audit found that the District had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 9). We made our recommendations in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the Public School Code and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider implementing written policies and procedures to ensure that the District is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

The District has not adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are 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. This lack of written policies and procedures is 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.

Recommendations

The *Upper Dublin School District* should:

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.
2. Implement written policies and procedures to ensure that the District is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Management Response

Management stated the following:

It would be of great advantage to the 501 school districts in Pennsylvania if the State Legislators would pass legislation that would mandate annual background checks for bus drivers and other school employees as well. Like Upper Dublin, many school districts are functioning under the constraints of collective bargaining agreements and in the negotiations process, it would be necessary to grant a concession in order to obtain contract language that would permit the annual background checks.

Auditor Conclusion

In the absence of legislation requiring annual background checks, management can be proactive in this area by developing policies and procedures for the school regarding prospective and current employees of the school that have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children.

Status of Prior Audit Findings and Observations

Our prior audit of the School District of Upper Dublin (SDUD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two observations. The first observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications, and the second 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 recommendations. We analyzed the SDUD's written response provided to the Department of Education (DE), performed audit procedures, and questioned SDUD personnel regarding the prior findings. As shown below, we found that the SDUD did not implement our recommendations related to bus driver qualifications, but did implement recommendations related to unmonitored vendor access and logical access control.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i>I. Observation No. 1: Internal Control Weaknesses in Administrative Policies Regarding Bus Driver Qualifications</i></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors 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. 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 	<p>Background:</p> <p>Our prior audit found that the District did not have written policies or procedures in place to ensure that they are notified if current employees were 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.</p>	<p>Current Status:</p> <p>Our current audit found that SDUD has not complied with our recommendations. As of our fieldwork completion date, neither the District nor the contractor had adopted any policies or procedures to address our concerns (see the observation, page 7).</p>

<p>have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.</p>		
--	--	--

<p><u>II. Observation No. 2:</u> <u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor and employee remote 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. 2. 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 remote access to its data and ensure that changes to the data are made only by authorized vendor representatives. 3. Maintain documentation to evidence that terminated employees are properly removed from 	<p>Background:</p> <p>Our prior audit found that the District uses software purchased from an outside vendor for its critical student accounting applications. The software vendor has remote access into the district's network servers.</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 unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that the District implemented all of our recommendations.</p>
---	--	--

<p>the system in a timely manner.</p> <p>4. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.</p> <p>5. The District's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements).</p> <p>6. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., 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 (i.e., last ten passwords), and lock out users after three unsuccessful attempts.</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

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.

