

BELLE VERNON AREA SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2010

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

Mr. Dale Patterson, Board President
Belle Vernon Area School District
270 Crest Avenue
Belle Vernon, Pennsylvania 15012

Dear Governor Rendell and Mr. Patterson:

We conducted a performance audit of the Belle Vernon Area School District (BVASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 23, 2007 through November 13, 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 BVASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER
Auditor General

March 25, 2010

cc: **BELLE VERNON AREA SCHOOL DISTRICT** Board Members

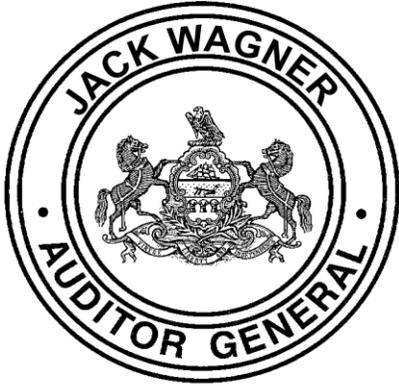
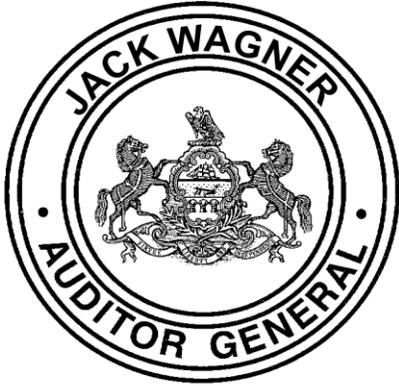


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Executive Summary

Audit Work

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

Our audit scope covered the period March 23, 2007 through November 13, 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

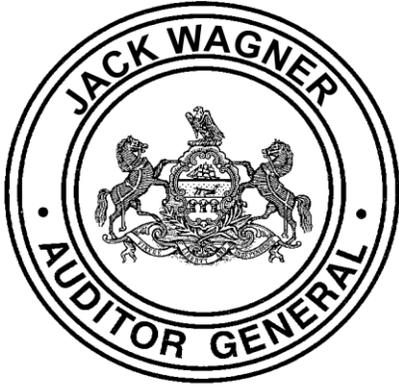
BVASD encompasses approximately 42 square miles. According to 2000 federal census data it serves a resident population of 20,127. According to District officials, in school year 2007-08 BVASD provided basic educational services to 2,844 pupils through the employment of 175 teachers, 118 full-time and part-time support personnel, and 8 administrators. Lastly, BVASD received more than \$13.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that BVASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of BVASD resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to BVASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the BVASD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access (see page 7).



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 March 23, 2007 through November 13, 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

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 BVASD'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:

- ✓ 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.

BVASD 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 comparative financial information.

Our audit examined the following:

- Records pertaining to financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 14, 2008, we reviewed BVASD's response to DE dated August 24, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Belle Vernon Area School District (BVASD) for the school years 2003-04 and 2002-03 resulted in one reported 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 recommendations. We analyzed BVASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that BVASD did implement our recommendations related to unmonitored vendor system access and logical access control weaknesses.

<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. Observation:</i></u> <u><i>Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Generate and review monitoring reports of vendor and employee activity on the District’s system. 2. Allow vendor changes to District data only after receipt of written authorization from appropriate District officials. 3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. 4. Allow remote access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. 5. Include in the District’s Acceptable Use Policy (AUP) provisions for authentication, and require all employees to 	<p>Background:</p> <p>Our prior audit found that BVASD used software purchased from an outside vendor for its critical student accounting applications (membership and attendance). 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.</p>	<p>Current Status:</p> <p>The District now generates and reviews monitoring reports of vendor activity.</p> <p>Vendor changes to District data are made only after receipt of written authorization from appropriate District personnel.</p> <p>Vendor employees do use unique userIDs when accessing the District system.</p> <p>The District only allows remote access to the system when the vendor needs access to make pre-approved changes. The District promptly removes access once the vendor has completed its work.</p> <p>The District is currently working with its intermediate unit to update its AUP. The District will implement the recommendations requiring password security and syntax requirements in the new AUP. Once approved both District personnel and the vendor will be required to sign the AUP.</p>

<p>sign this policy.</p> <p>6. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's AUP.</p> <p>7. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis. Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters.</p> <p>8. Perform reconciliations between system generated membership attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner.</p> <p>9. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>10. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.</p>		<p>The District has drafted a policy incorporating our recommendation regarding password requirements. We will follow-up on the adoption of this policy during our next audit.</p> <p>The District does perform reconciliations between system generated and manually kept membership and attendance reports.</p> <p>The District maintains documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>The District does require written authorization when adding, deleting or changing a userID.</p>
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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:

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Commonwealth of Pennsylvania
Harrisburg, PA 17120

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Harrisburg, PA 17126

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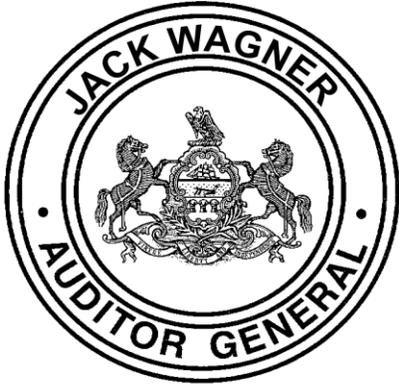
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