



CONNELLSVILLE AREA SCHOOL DISTRICT
FAYETTE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 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

Mr. Jon Detwiler, Board President
Connellsville Area School District
732 Rockridge Road
Connellsville, Pennsylvania 15425

Dear Governor Corbett and Mr. Detwiler:

We conducted a performance audit of the Connellsville Area School District (CASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period February 22, 2010, through June 29, 2012, 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, 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 CASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with CASD's management and their response is included in the audit report. We believe the implementation of our recommendations will improve CASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the CASD's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

March 6, 2013

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



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Nonresident Pupil Membership Errors Resulted in Underpayments of \$62,166	6
Status of Prior Audit Findings and Observations	8
Distribution List	11



Executive Summary

Audit Work

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

Our audit scope covered the period February 22, 2010, through June 29, 2012, 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 and 2008-09.

District Background

The CASD encompasses approximately 20 square miles. According to 2010 federal census data, it serves a resident population of 34,479. According to District officials, in school year 2009-10 the CASD provided basic educational services to 5,400 pupils through the employment of 400 teachers, 251 full-time and part-time support personnel, and 23 administrators. Lastly, the CASD received more than \$40 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the CASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Nonresident Pupil Membership Errors Resulted in Underpayments of \$62,166. Our audit of nonresident pupil membership for the 2009-10 and 2008-09 school years found errors in reports submitted to the Pennsylvania Department of Education. These errors resulted in reimbursement underpayments of \$62,166 (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the CASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the CASD did not implement all of our recommendations pertaining to weaknesses over vendor access to the CASD's network servers (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 22, 2010, through June 29, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011, through April 30, 2012.

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

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 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 CASD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances that may impose 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 does 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ 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 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.

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.

CASD 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. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes, pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 20, 2010, we reviewed the CASD's response to PDE dated February 8, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding →

Criteria relevant to the finding:

Section 2503 of the Public School Code provides for Commonwealth payment of tuition for children placed in private homes.

The PIMS manual of reporting provides guidelines for the reporting of all residency classifications.

Nonresident Pupil Membership Errors Resulted in Underpayments of \$62,166

Our audit of nonresident pupil membership for the 2009-10 school year found errors in reports submitted to the Pennsylvania Department of Education (PDE). These errors resulted in underpayments from the Commonwealth of \$62,166.

For the 2009-10 school year, membership for kindergarten children placed in private homes was underreported by 177 days, and secondary membership for children placed in private homes was underreported by 866 days. The District also incorrectly coded 230 membership days as institutionalized nonresident, unknown district of residence that should have been coded as membership for students being educated at a detention facility. The errors resulted in the District being underpaid by \$55,497.

For the 2008-09 school year, the District incorrectly reported 285 membership days as institutionalized nonresident, unknown district of residence that should have been reported as membership for students educated at a detention facility. This error resulted in the District being underpaid by \$6,669.

The 2009-10 school year errors were caused by District personnel incorrectly reporting the “District Code of Residence” for the children in the Pennsylvania Information Management Systems (PIMS). District personnel responsible for entering student data into the PIMS system were not familiar with the PIMS residency code reporting guidelines.

The 2008-09 errors resulted from misclassification of the students on reports submitted to PDE.

We have provided PDE with a report detailing the errors for use in recalculating the District’s reimbursement.

Recommendations

The *Connellsville Area School District* should:

1. Review the PIMS manual of reporting for instructions on the proper reporting of nonresident students.
2. Review membership reports submitted to PDE for years subsequent to the audit and, if similar errors are found, submit reviewed reports to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to correct the underpayments of \$62,166.

Management Response

Management stated the following:

“The errors were caused by District personnel incorrectly reporting the “District Code of Residence” for section 1306, ward of the state students, in PIMS.

The corrective action is District personnel will be instructed to correctly report the Section 1306 children in PIMS.”

Status of Prior Audit Findings and Observations

Our prior audit of the Connellsville Area School District (CASD) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to weaknesses over vendor access to the CASD's network servers. As part of our current audit, we determined the status of corrective action taken by the CASD to implement our prior recommendations. We analyzed the CASD Board's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned CASD personnel regarding the prior observation. As shown below, we found that the CASD did not implement all of our recommendations related to weaknesses over vendor access to the CASD's network servers.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

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

Observation

Summary:

Our prior audit found that the CASD obtained services from an outside vendor for technical support for its critical student accounting applications (membership and attendance). The technical support vendor has remote access into the District's network servers. We determined that unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the District's membership information and result in the District not receiving the funds to which it was entitled from the state.

Recommendations: Our audit observation recommended that the CASD:

1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on its system. Monitoring reports should include the date, time, 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 system. Further, the District should ensure that changes to the data are made only by authorized vendor representatives.

3. Allow remote access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. 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.
7. Include in its Acceptable Use Policy provisions for authentication (e.g., password security and syntax requirements) and privacy (monitoring of electronic mail, access to files).
8. Implement a security policy and system parameter settings to require all users, including the vendor, to change 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. The District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords). Also, the District should provide documentation, e.g. screen shots, that evidence that the system parameter setting requires all users, including the vendor, to lock out users after three unsuccessful attempts, and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

Current Status:

During our current audit procedures we found that the CASD did not implement all of our recommendations.

The District is now maintaining documentation to evidence that terminated employees are properly removed from the system in a timely manner.

The District has now developed policies and procedures to require written authorization when adding, deleting, or changing a userID.

The District did revise the Acceptable Use Policy in October 2011. The policy now addresses privacy (monitoring of electronic mail, access to files).

The District now has system parameter settings that require passwords to be changed on a regular basis. Passwords are now a required number of characters that include alpha, numeric, and special characters. The parameter settings maintain a password history as well as locking out users after unsuccessful attempts and after a period of inactivity.

We continue to recommend that the District implement the remaining recommendations made in the prior audit report.

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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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.

