

COUNCIL ROCK SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2009

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

Dr. Paul Anagnostakos, Board President
Council Rock School District
30 North Chancellor Street
Newtown, Pennsylvania 18940

Dear Governor Rendell and Dr. Anagnostakos:

We conducted a performance audit of the Council Rock School District (CRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period December 8, 2006 through May 22, 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 CRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

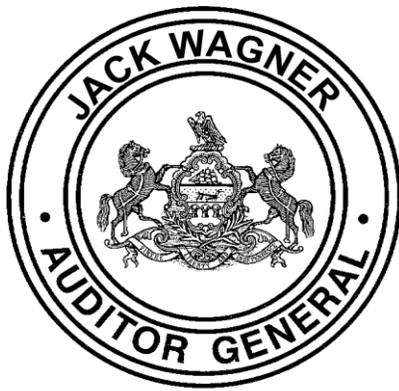
October 29, 2009

cc: **COUNCIL ROCK 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 Council Rock School District (CRSD). 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 CRSD in response to our prior audit recommendations.

Our audit scope covered the period December 8, 2006 through May 22, 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.

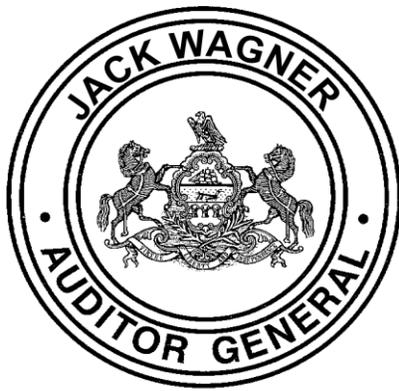
District Background

The CRSD encompasses approximately 72 square miles. According to 2000 federal census data, it serves a resident population of 69,921. According to District officials, in school year 2007-08 the CRSD provided basic educational services to 12,557 pupils through the employment of 917 teachers, 476 full-time and part-time support personnel, and 50 administrators. Lastly, the CRSD received more than \$32 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CRSD 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 CRSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the CRSD had taken appropriate corrective action in implementing our recommendations pertaining to a certification irregularity (see page 6) and had not fully taken appropriate corrective action pertaining to our recommendations pertaining to vendor system access and logical access control weaknesses (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 December 8, 2006 through May 22, 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 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 CRSD'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 follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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.

CRSD 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 financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 19, 2007, we performed audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Council Rock School District (CRSD) for the school years 2003-04 and 2002-03 resulted in two reported findings. The first finding pertained to a certification irregularity, and the second finding pertained to 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 findings. As shown below, we found that the CRSD did implement recommendations related to the certification irregularity, and did not fully implement recommendations related to 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. Finding No. 1:</i></u> <u><i>Certification Irregularity</i></u></p> <ol style="list-style-type: none"> 1. Require District personnel to submit job descriptions to the Bureau of School Leadership and Teacher Quality (BSLTQ) for locally titled positions and adhere to BSLTQ's determination regarding the certification required. 2. Require the teacher to obtain proper certification as required for the position or reassign her to an area for which she is properly certified. 3. The Department of Education (DE) should adjust the District's allocations to recover the appropriate subsidy forfeiture. 	<p>Background:</p> <p>Our prior audit of professional employees' certification and assignments for the period July 1, 2004 through November 28, 2006, found one teacher was assigned to a locally titled position for which she did not have proper certification.</p> <p>Information pertaining to the irregularity was submitted to BSLTQ, DE, for its review. On November 4, 2008, BSLTQ issued a Notice of Final Determination and Withholding confirming the irregularity and stating the District would be subject to a subsidy forfeiture of \$14,995.</p>	<p>Current Status:</p> <p>Our current audit found that on December 4, 2008, the District appealed the Notice of Final Determination and Withholding. Subsequent to completion of field work, on June 12, 2009, a Settlement and Release Agreement was approved by the District and DE, providing, in part:</p> <ul style="list-style-type: none"> • The \$14,995 subsidy forfeiture has been reduced to \$0. • The District agrees to comply with the future written guidance issued by BSLTQ as it pertains to the certification requirements for the locally titled position no later than one year from the date of the written guidance by BSLTQ.

<p><u>II. Finding 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 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 data was not improperly altered. The District should also ensure they are maintaining evidence to support this monitoring and review. 2. Perform reconciliations between system generated membership and attendance reports and manually kept membership and attendance records (i.e., absence records) to ensure that any unauthorized changes within the system would be detected in a timely manner. 3. Include in the contract with the vendor a non-disclosure agreement for the District's proprietary information. 4. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID. 	<p>Background:</p> <p>Our prior audit found that the CRSD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District's network servers.</p> <p>Based on our procedures, 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. Further, the District did not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the District did not have adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes was increased.</p> <p>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.</p>	<p>Current Status:</p> <p>Our current audit found that CRSD implemented all of our recommendations to correct the weaknesses identified in our prior audit, except that employees and the vendor are still not required to sign the Acceptable Use Policy. Therefore, we again recommend that all employees and the vendor be required to sign the Acceptable Use Policy.</p>
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<p>5. Allow upgrades/updates to the District system only after receipt of written authorization from appropriate District officials.</p> <p>6. Either 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 own Acceptable Use Policy.</p> <p>7. Include in the District's Acceptable Use Policy provisions for authentication (i.e. password security and syntax requirements, remote location access, including strong authentication methods) and require all employees to sign the policy.</p> <p>8. 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) and use passwords that are a minimum length of eight characters and include alpha, numeric, and special characters. The District should also strengthen their settings to lock users out after three invalid password attempts and maintain a password history of at least the most recent ten passwords.</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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The Honorable Robert M. McCord
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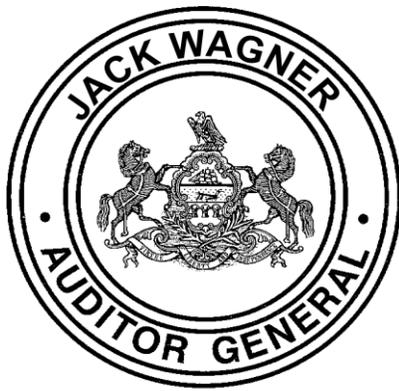
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