



PENN HILLS SCHOOL DISTRICT

ALLEGHENY 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. Joseph Bailey, Sr., Board President
Penn Hills School District
260 Aster Street
Pittsburgh, Pennsylvania 15235

Dear Governor Corbett and Mr. Bailey:

We conducted a performance audit of the Penn Hills School District (PHSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 25, 2009, through February 15, 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 PHSD complied, in all significant respects, with applicable state laws, 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 PHSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve PHSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the PHSD's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

March 27, 2013

cc: PENN HILLS 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 Penn Hills School District (PHSD). 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 PHSD in response to our prior audit recommendations.

Our audit scope covered the period June 25, 2009, through February 15, 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 PHSD encompasses approximately 19 square miles. According to 2000 federal census data, it serves a resident population of 46,809. According to District officials, in school year 2009-10 the PHSD provided basic educational services to 4,577 pupils through the employment of 414 teachers, 822 full-time and part-time support personnel, and 22 administrators. Lastly, the PHSD received more than \$27 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the PHSD 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. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Certification Deficiencies. Our audit of the PHSD professional employees' certificates and assignments found one individual was assigned to a teaching position without being certified, and one individual was assigned to a teaching position with a lapsed certificate (see page 6).

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

We determined that unauthorized changes to the PHSD's data could occur and not be detected because the PHSD is not adequately monitoring vendor activity on its system (see page 8).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the PHSD from an audit we conducted of the 2007-08, 2006-07, 2005-06, and the 2004-05 school years, we found the PHSD had changed to a new software in March of 2011 for its critical student accounting applications (membership and attendance) and is no longer with the outside vendor we cited in the prior year's audit report. We again found access control weaknesses with the new vendor, which are detailed in the current audit report observation (see page 11).



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 June 25, 2009, through February 15, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011, through February 15, 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 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 PHSD'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?
- ✓ 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 buy-out 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, 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, observations and conclusions based on our audit objectives.

PHSD 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.

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, pupil transportation, and comparative financial information.

Our audit examined records pertaining to bus driver qualifications, professional employee certification, Board meeting minutes, and financial stability.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 17, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code provides, in part:

“No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.”

Section 2518 of the Public School Code provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in the Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s market value/income aid ratio.”

Certification Deficiencies

Our audit of the Penn Hills School District (PHSD) professional employees’ certificates and assignments for the period July 1, 2011, through February 15, 2012, found the following deficiencies:

- one individual was assigned a teaching position without being certified, and
- one individual was assigned to a teaching position with a lapsed certificate.

Information pertaining to the deficiencies was submitted to the Pennsylvania Department of Education’s Bureau of School Leadership and Teacher Quality (BSLTQ) for its review. BSLTQ confirmed these deficiencies. Therefore, the PHSD will be subject to subsidy forfeitures of \$4,447 and \$2,121 for the 2010-11 and 2009-10 school years, respectively. The 2011-12 school year subsidy forfeiture could not be calculated because the applicable aid ratio was not available at the time of audit.

The deficiencies occurred because District personnel failed to monitor teacher certification and the appropriateness of teaching assignments.

Recommendations

The *Penn Hills School District* should:

Implement appropriate controls so that only properly certified teachers are assigned to applicable teaching assignments. The controls should prevent uncertified teachers from teaching any course which requires certification and prevent teachers with lapsed certificates from teaching any course until a valid certificate is obtained.

The *Pennsylvania Department of Education* should:

Recover the appropriate subsidy forfeitures.

Management Response

Management stated the following:

“The District’s Human Resource Department has taken the necessary steps to rectify the certification problems for the two employees in question.”

Observation

What is logical access control?

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification authorization, and authentication to access the computer systems.

Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Penn Hills School District 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 servers.

Based on our current year procedures, we determined that a risk exists 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. Further, the District does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the District does 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 is increased.

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.

During our current review, we found the District had the following weaknesses over vendor access to the District’s system:

1. The District does not have a written information technology (IT) security policy or an acceptable use policy providing for privacy (e.g., monitoring of electronic mail, access to files); access (acceptable use guidelines for users); accountability (responsibilities of users, auditing, incident handling); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to whom).

2. The District does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the District's Acceptable Use Policy.
3. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
4. Although the District is generating and monitoring reports (including firewall logs) of vendor and employee access and activity on its system, the District does not maintain evidence of this monitoring and review.
5. The District does not maintain written authorization for updating/upgrading of key applications or changing user data.
6. The District does have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside. Too many employees have access to the server area, which weakens controls.

Recommendations

The *Penn Hills School District* should:

1. Develop and maintain a written IT security policy and ensure that all employees are aware of this policy.
2. Establish separate IT 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.
3. Allow 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. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on the 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.
5. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.
6. Reduce the number of staff with access to the hardware (servers) that contains the membership/attendance data to only those members of the staff with direct responsibility for system operation and maintenance.

Management Response

Management stated the following:

“The district will review the acceptable use policy and include syntax definitions. The district will review and develop a process to document and authorize system access to key applications before updating/upgrading. IT will review access authorization to IT Server Room and eliminate unnecessary access.”

Status of Prior Audit Findings and Observations

Our prior audit of the Penn Hills School District (PHSD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to 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 observation. As shown below, we found that the PHSD changed its outside vendor for its critical student accounting applications (membership and attendance) during our current audit years, and logical access control weaknesses were again found.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation: Logical Access Control Weaknesses

Observation

Summary:

Our prior audit found logical access control weaknesses over PHSD's membership data, which presented a risk that unauthorized changes to PHSD's critical student accounting applications (membership and attendance) could occur.

Recommendations:

Our audit observation recommended that the PHSD:

1. 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.
2. Mitigate information technology control weaknesses by having compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status:

During our current audit we found that in March of 2011 the PHSD changed to a new outside vendor for its critical student accounting applications (membership and attendance). We again found weaknesses with the new vendor, which have been detailed in the current audit report observation (page 8).



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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