

SOLANCO SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2009

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

Mr. Craig C. Chubb, Board President
Solanco School District
121 South Hess Street
Quarryville, Pennsylvania 17566

Dear Governor Rendell and Mr. Chubb:

We conducted a performance audit of the Solanco School District (SSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 27, 2004 through November 1, 2007, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, 2005, 2004 and 2003, as they were the most recent reimbursements subject to audit. 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 SSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the four findings 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 findings, observation and recommendations have been discussed with SSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the SSD's cooperation during the conduct of the audit and their willingness to implement our recommendations

Sincerely,

/s/

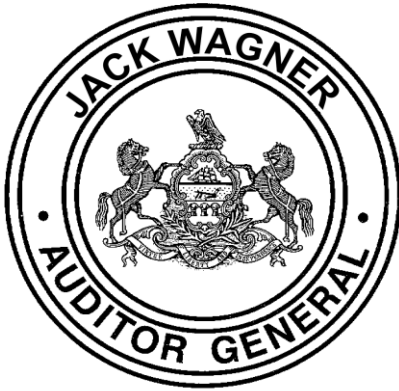
JACK WAGNER
Auditor General

April 7, 2009

cc: **SOLANCO 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 Solanco School District (SSD). 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 SSD in response to our prior audit recommendations.

Our audit scope covered the period August 27, 2004 through November 1, 2007, 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 2005-06, 2004-05, 2003-04 and 2002-03, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The SSD encompasses approximately 180 square miles. According to 2000 federal census, it serves a resident population of 28,883. According to District officials, in school year 2005-06, the SSD provided basic educational services to 3,989 pupils through the employment of 220 teachers, 191 full-time and part-time support personnel, and 21 administrators. Lastly, the SSD received more than \$14.8 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the SSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified four compliance-related matters reported as findings and one matter unrelated to compliance that is reported as an observation.

Finding 1: Possible Conflict of Interest Transactions. Our audit of SSD records and a board member's Statement of Financial Interests found a possible conflict of interest where it appears that the board member may have engaged in prohibited transactions (see page 6).

Finding 2: Failure to Obtain Memorandum of Understanding. Our audit of the SSD's records found that the SSD does not have Memorandum of Understanding with the Pennsylvania State Police and the Borough of Quarryville Police Department (see page 10).

Finding 3: Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act. Our audit of SSD records found that three former board members failed to file their Statements of Financial Interests for the 2005 calendar year (see page 12).

Finding 4: Certification Irregularities.

Our current audit of professional employees' certification for the period July 28, 2004 through August 27, 2007, found that two professional employees were teaching with lapsed teaching certificates (see page 14).

Observation: Unmonitored Vendor System Access and Logical Access

Control Weaknesses. We determined that a risk exists that unauthorized changes to the SSD's membership data could occur and not be detected because the SSD was not able to provide supporting evidence that they are

adequately monitoring all intermediate unit activity in their system (see page 16).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the SSD from an audit we conducted of the 2001-02 and 2000-01 school years, we found the SSD had not taken appropriate corrective action in implementing our recommendations pertaining to certification irregularities (see page 22). As noted in Finding No. 4.

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 August 27, 2004 through November 1, 2007, except for:

- The verification of professional employee certification which was performed for the period July 28, 2004 through August 27, 2007.
- The review of outside vendor access to the district's student accounting applications which was completed on May 7, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06, 2004-05, 2003-04 and 2002-03 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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.

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 SSD'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 objectives:

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.

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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 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 agreements 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.

SSD 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, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report dated August 27, 2004, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

State Ethics Act Sections Relevant to this Finding:

Section 1102, 65 Pa.C.S. § 1102, defines “conflict of interest” as:

Use by public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.

Possible Conflict of Interest Transactions

Our audit of District records and a board member’s Statement of Financial Interests found a possible conflict of interest where it appears that the board member may have engaged in prohibited transactions.

During the calendar year 2004 the District approved payments totaling \$13,337 to a particular business entity for construction of two decks and one ramp for the classroom trailer at the middle school. Our review of the 2004 Statement of Financial Interests noted that the board member was the president of this business and owned a 40 percent interest in the company. Our review of board minutes found that this project was not presented for bidding since the board did not feel the cost of the project would exceed \$4,000.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The Solanco School District should:

1. Strengthen controls regarding the review of Statements of Financial Interests, to help ensure detection of any possible conflicts of interest.
2. Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the District.

The State Ethics Commission should:

3. Review and investigate this possible conflict of interest.

Management Response

Management agreed with the finding and stated:

Management agrees with the finding with regard to both perception and possibility, however, the work performed and monitored by the district’s facility director was carried out as per other projects under his assignment.

State Ethics Act Sections Relevant to this Finding (Continued):

65 Pa.C.S. § 1103(f), provides, in part:

No public official or public employee or his spouse or child or any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated or any subcontract valued at \$500 or more with any person who has been awarded a contract with the governmental body with which the public official or public employee is associated, unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such case, the public official or public employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.

Background: The project resulted from the board's approval for a new Middle School Alternative Education program implementation in the spring of 2004, to be located at the Smith Middle School. Space (physical classroom) was required for the new program and PDE 731 [request for Department of Education (DE) approval] forms were publicly approved December 1, 2003 by the board and subsequently approved by the division of School Facilities (PDE) for the modular classroom purchase and set-up. Bids were awarded for the actual modular classroom unit itself, and footings were required prior to unit delivery. The district's facility director called for quotes and contractor availability, which was under the \$4,000 threshold as well as only [the company] (as affiliated with [the] board member), could do the work in the time required. The actual invoice for this work was turned in at \$4012.56. The invoice was reviewed by both the facility director and the business manager and approved at a public board meeting. As a corollary, it should be noted that the footing/concrete work was performed in harsh winter conditions in January 2004.

In general, and as per school code, work performed by a School board member's firm is not contrary to law. However, that said, and upon review of the above citation, we believe the district potentially opened itself up to charges of possible and potential conflict. With relative ease the district can and should provide better safeguards for both the district and board member(s). It is the intent of the district to adopt a written policy regarding process for guidance to supervisors and the board with regard to any potential board of director conflict-of-interest. Further, it would be the intent of this policy to address not only specific purchase-of-service issues, but also any wider conflict-of-interest issues within board member responsibilities.

*Public School Code Section
Relevant to this Finding:*

24 P.S. § 3-324(a), provides,
in part:

No school director shall, during the term for which he was elected or appointed, as a private person engage in any business transaction with the school district in which he is elected or appointed, be employed in any capacity by the school district in which he is elected or appointed, or receive from such school district any pay for services rendered to the district. . . .

Because the first management response did not address all of the transactions in question, we requested additional information, which management provided as follows:

All work referenced in this response was related to one project and one site. As noted earlier, this project entailed two major phases for the purchase, set-up, and installation of a modular classroom for a newly implemented district-wide middle school alternative education program. Two separate PDE 731 forms were approved by the board for work on the project and approved by PDE. The actual modular purchase was awarded (award included delivery and set-up on our footings) mid-December of 2003 and it required the district to have concrete footings ready for delivery. As indicated in our earlier response, that work was done via quote, with declinations from several other contractors to do the work in the time required. [The district's] Director of Facilities, communicated with and worked directly with a [company] employee/project manager, . . . who had responded to the quote request. Total paid to [the company] for that work, completed in some very trying winter conditions, was \$4,012.56.

[Our] Director of Facilities following initial modular installation again sought pricing information and subsequently quotes (for access work on the same modular installation project) for decking work. The results of that effort were two declinations for the work and two responses, one of which was determined to be non-responsive. A purchase order was issued to [the company] for \$5,214.00 to install the access decking which bridged the rear entrance of the school to the modular classroom, including a handicap ramp and L & I [the Pennsylvania Department of Labor and Industry] required emergency exit. A change made to the scope of the work (by the facilities director) added additional cost to the original estimate. This change was to replace treated lumber with longer lasting and safer composite decking material, which then required pilot-hole-drilling of each board on the deck for each screw. This change added about \$1,100 to their cost estimate.

Additionally, as the project finally began to come together, the superintendent and principal allocated a second teacher to the new program to allow for both “regular alternative education” as well as “special education placement.” The modular would be shared by two teachers (with different certifications) and a wall partition with a door and window (approximately 20 feet in length) was needed to create additional office space to accommodate supervision. [The Director of Facilities] had the workmen on site complete the wall on a time and material basis. This change was just a little over \$2,000. The total invoice for the deck, change in material impact, and the wall was \$8,401.

There was an additional invoice for \$923.28 that was a pass through for [a concrete company]. In review, this bill was paid for by [the contracted company] and they billed us for those materials without markup.

All work was permitted, code inspected, and monitored by district staff and [the Director of Facilities]. L & I inspected and issued an occupancy permit whereupon the new educational programs were implemented for the second semester. Beyond this project [the company], has not done any work for this district.

Finding No. 2 →

Failure to Obtain Memorandum of Understanding

*Public School Code Section
Relevant to this Finding:*

Section 1303-A(c) of the Public School Code provides: All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, a Basic Education Circular entitled Safe Schools and Possession of Weapons, Section VI, General Provisions item (B) of this sample 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 District does not have Memorandum of Understanding (MOU) with the Pennsylvania State Police and the Borough of Quarryville Police Department. District personnel could provide only a one sentence "Letter of Assurance" that simply stated an MOU had been entered into with the Pennsylvania State Police; they could not provide an actual MOU detailing the procedures to be followed. No documentation of any kind existed for the Borough of Quarryville Police Department.

The failure to obtain 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 could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The Solanco School District should:

1. In consultation with the solicitor, obtain the required MOUs between the District and the two local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management agreed with the finding and stated:

A signed copy of a Letter of Assurance for an MOU with the Pennsylvania State Police is dated June 23, 2004. Additionally there is no MOU between the district and the Quarryville Borough Police Department. Currently, it is our understanding that there needs to be an MOU on file and updated every two years.

The superintendent has contacted the state police and Quarryville Borough Police Department to obtain updated MOUs. To address this issue moving forward, it is the district's intent to have the board of education ratify MOUs and so document that action in the official board minutes. The Board secretary will then record the expiration date for scheduling the next required update for board ratification.

Finding No. 3 →

Board Members Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

State Ethics Act Sections Relevant to this Finding:

65 Pa.C.S. § 1104(d): No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

65 Pa.C.S. § 1109(b): Any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

65 Pa.C.S. § 1109(f): Any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

Our audit of District records found that three former board members failed to file their Statements of Financial Interests for the 2005 calendar year. As a result of our initial review, the superintendent's secretary asked the former board members to submit their missing statements. Subsequently, all three former board members submitted statements for the 2005 calendar year dated July 26, 2007. Since the forms were to be filed by May 1st of the subsequent calendar year, the submission of these statements was not timely.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The Solanco School Board should:

1. Seek the advice of its solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interest.
2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Management Response

Management agreed with the finding and stated:

The three board members in question left the board at the end of their normal term and had not run for re-election. The Ethics statements as per the Act are for the year preceding (i.e. look back) during the board members' term. The board members left office without filing out the forms. When contacted after-the-fact, all former board members promptly completed the forms and they are on file.

Moving forward the board secretary shall use the board reorganization date as the date to notify all newly seated and leaving board members of the timely completion requirement for Ethics statements.

Finding No. 4 →

Certification Irregularities

*Public School Code Sections
Relevant to this Finding:*

Section 1202: No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 1212: Every district superintendent shall keep an accurate record of all valid certificates held by the teachers of the schools within his jurisdiction.

Section 2518: [A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the 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 . . .

Our current audit of professional employees' certification for the period July 28, 2004 through August 27, 2007, found that two professional employees were teaching with lapsed teaching certificates.

Information pertaining to the possible lapsed certificates was submitted to Bureau of School Leadership and Teacher Quality (BSLTQ), the Department of Education, for its review. Subsequently, BSLTQ determined that the individuals were not properly certified, subjecting the District to subsidy forfeitures of \$3,538 and \$2,818 for the 2006-07 and 2005-06 school years, respectively.

Recommendations

The Solanco School District's superintendent should:

Ensure that all professional employees have current, valid teaching certificates.

The Department of Education should:

Adjust the District's allocations to recover the subsidy forfeitures of \$6,356.

Management Response

Management agreed with the finding and stated:

Management agrees with the finding, yet notes that the district efforts were being applied to address these issues as they occurred. In both cases PDE issued level-two certifications.

Two individuals were found to have possible certification irregularities regarding the permitted six years to achieve level-two certification. One individual had done considerable work (outside of Solanco) and once hired here there was a condensed time to perform the required six evaluations. The actual time-frame for this individual's level-two remains somewhat grey due to their intermittent day-to-day substitute employment prior to being hired by Solanco. Upon receiving the sixth evaluation, that particular individual's level-two certification was approved by PDE, and she remains employed with the district in a full-time teaching position.

The second individual was not as cooperative nor did she respond as quickly as we would have preferred. However, again the district took measures to address the certification needs and placed pressure on the individual to finalize certification requirements. Level-two was subsequently issued by PDE. This individual no longer works for the district.

In both cases the district worked in consultation with appropriate PDE certification staff to resolve these issues.

The board secretary has created a specific tracking report to address these issues in a way that we believe will allow the district to intercede earlier in level-two certification needs.

Observation

Unmonitored Vendor System Access and Logical Access Control Weaknesses

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.

The Solanco School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District’s entire computer system, including all its data and the above software are maintained on the Lancaster Lebanon Intermediate Unit #13’s (IU) servers which are physically located at the IU. The District has remote access into the IU’s network servers, with the IU providing system maintenance and support.

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 not able to provide supporting evidence that they are adequately monitoring all IU activity in their system. However, since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. 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.

Best practices in information technology (IT) security include: limiting access to authorized users; ensuring individual accountability for actions; managing vendor services; monitoring the system to ensure integrity of key databases and applications; regulating changes to software; restricting physical access; implementing and maintaining minimum environmental controls; and planning for contingencies.

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

1. The District does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including IU, vendor and District employees). There is no evidence to support that the District is performing any procedures in order to determine which data the IU or the vendor may have altered or which IU or vendor employees accessed their system;
2. The IU and the vendor have unlimited remote access (24 hours a day/7 days a week) into the District's system;
3. The District was unable to provide evidence that they are using the most current version of the remote access software. Further, the District has not enabled all security features of its remote access software. The District does not use encryption to secure the District's remote connections;
4. The District was unable to locate the signed fully executed contract with the IU to provide student accounting applications and related information technology services;
5. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;
6. The District was unable to provide evidence that they require written authorization for adding, deleting, or changing a userID;
7. The District does not have current policies or procedures in place to analyze the impact of proposed program changes in relation to other business-critical functions;
8. The District does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the IU or the vendor to sign the District's Acceptable Use Policy;
9. The District's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements); and

10. The District has certain weaknesses in logical access controls. We noted that the District's system parameter settings do not require all users, including the IU and the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts; and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Recommendations

The Solanco School District should:

1. Generate monitoring reports (including firewall logs) of the IU, vendor and employee 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. Only allow remote access to their system when the IU and/or vendor need access to make pre-approved changes/updates or requested assistance. This access should be removed when the IU and/or vendor has completed its work. This procedure would also enable the monitoring of IU and/or vendor changes.
3. Upgrade the remote access software to the most current version. Further, the District should encrypt the District's remote connections.
4. Exercise due professional care with important documents and maintain evidence that they have a signed and fully-executed contract with the IU. Further, the contract should contain a Maintenance Agreement and Non-Disclosure Agreement for the District's proprietary information.
5. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.

6. Develop policies and procedures to require written authorization when adding, deleting, or changing a user ID.
7. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
8. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the IU and the vendor sign this policy, or the District should require the IU and the vendor to sign the District's Acceptable Use Policy.
9. Revise its Acceptable Use Policy to include provisions for authentication (password security and syntax requirements).
10. Implement a security policy and system parameter settings to require all users, including the IU and 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), lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

Management Response

Management provided a written response to our observation as follows:

[The district repeated each of the weaknesses detailed in our observation as an introduction to each management response. For the sake of brevity, these repetitions have been removed.]

[Response to weakness 1:] A. We will establish a documentation procedure and request the IU to monitor and create a reporting component to reflect what activity was performed by any outside vendors, IU13 or district staff. Vendors will be bound to the IU13 policies. A report review procedure will be created to support district employee oversight and required protocol. This report will be kept for audit review. We will investigate the possibility of tracking system logs for system activities.

[Response to weakness 2:] A. Because of our mission critical application, it is important that they have this access. However, they must confirm with the power school administrator before accessing the system.

[Response to weakness 3:] A. Because software is accessed via a browser we do not have remote software. The current browsers that are used are IE [Internet Explorer] 6, 7. A certificate of security is issued by the IU13 and it is installed on the browser.

[Response to weakness 4:] A. This document does not exist and the consortium application services predate the current student services software. The district currently is investigating new student side software applications and will require documentation and formal agreements for the services to be provided no matter which vendor is successful.

[Response to weakness 5:] A. A log has been created to keep track of all terminations of employees. This checklist will not be just for Power School services but network services as well.

[Response to weakness 6:] A. A request form will be created for the principals of each building to submit all name changes. After the name change is performed the document goes back to the principal for confirmation. Procedures will be developed to establish an audit trail for this process.

[Response to weakness 7:] A. The district has review procedures which involve the business manager, assistant superintendent, superintendent, technology director, and other relevant personnel to review the impact of any change in program on other programs or functions. This process and oversight includes addressing relevant policies to suggest necessary changes or additions. As indicated during the audit, the district is presently engaged in an in-depth IT study with a outside firm for strategic planning of district IT infrastructure, gap analysis, application inventory, and department skill analysis.

[Response to weakness 8:] A. A revision of the Acceptable Use Policy will be performed to address this issue.

[Response to weakness 9:] A. The District is currently studying an implementation of new password controls. These will be implemented after July 1, 2008 in coordination with implementation of major infrastructure and IP access work from the districts Act 183 grant.

[Response to weakness10:] A. The District is currently studying an implementation of new password controls as per your recommendations. It is anticipated that this will be incorporated in the recommendations from the district IT study deliverables.

Auditor Conclusion

Support for a mission critical application does not necessarily require the vendor to have unlimited access to the District's system. We recommend arranging for vendor system access in advance and for a limited period of time, whenever possible.

We continue to recommend the District encrypt its remote connections to critical student accounting applications (membership and attendance) at the IU.

Since updates to the membership and attendance programs could cause problems with existing processes, we continue to recommend that the District test all proposed program changes prior to implementation.

Status of Prior Audit Findings and Observations

Our prior audit of the Solanco School District (SSD) for the school years 2001-02 and 2000-01 resulted in one reported finding. The finding pertained to certification irregularities. As part of our current audit, we determined the status of corrective action taken by the SSD to implement our prior recommendations. We performed audit procedures, and questioned SSD personnel regarding the prior finding. As shown below, we found that the SSD did not implement recommendations related to certification irregularities.

<i>School Years 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Irregularities</i></u></p> <ol style="list-style-type: none"> 1. Ensure all certificates are received from prospective employees prior to employment. 2. Ensure all emergency certifications are received from the Bureau of Teacher Certification and Preparation (BTCP) prior to starting employment. 3. Review any locally titled positions and job descriptions with BTCP prior to establishing such positions and appointing staff. 	<p>Background:</p> <p>Our prior audit found a total of four positions were cited for certification irregularities. One administrator was employed as director of instructional services without the required certificate and three teachers were employed prior to receiving proper certification.</p>	<p>Current Status:</p> <p>Our current audit confirmed that two of the teachers previously cited for teaching before receiving proper certification received their certifications in October 2003 and October 2002, respectively. The third individual teaching without proper certification was dismissed in May of 2004.</p> <p>The administrator was dismissed in December of 2003. The administrator appealed the dismissal; as of completion of fieldwork for our current audit, no final determination had been issued by the court.</p> <p>Although the specific irregularities cited in our prior audit were resolved, our current audit again disclosed certification irregularities. We therefore concluded that the SSD <u>did</u> not correct the weaknesses leading to certification irregularities. As noted in Finding No. 4.</p>

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