

WAYNE HIGHLANDS SCHOOL DISTRICT  
WAYNE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2010



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

Mr. Thomas Fasshauer, Board President  
Wayne Highlands School District  
474 Grove Street  
Honesdale, Pennsylvania 18431

Dear Governor Rendell and Mr. Fasshauer:

We conducted a performance audit of the Wayne Highlands School District (WHSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period October 19, 2007 through October 30, 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 and June 30, 2007. 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 WHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, 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 observation and recommendations have been discussed with WHSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WHSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WHSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

March 25, 2010

cc: **WAYNE HIGHLANDS SCHOOL DISTRICT** Board Members

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Wayne Highlands School District (WHSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period October 19, 2007 through October 30, 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 and 2006-07.

### **District Background**

The WHSD encompasses approximately 434 square miles. According to 2000 federal census data, it serves a resident population of 18,470. According to District officials, in school year 2007-08 the WHSD provided basic educational services to 3,215 pupils through the employment of 247 teachers, 132 full-time and part-time support personnel, and 19 administrators. Lastly, the WHSD received more than \$13.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

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

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

We noted that WHSD personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over outside vendor access to the student accounting applications (see page 6).

#### **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the WHSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the WHSD had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 9) and their Memorandum of Understanding (see page 10).





## Audit Scope, Objectives, and Methodology

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### 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 October 19, 2007 through October 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WHSD'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:

- ✓ 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?

- ✓ 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?
- ✓ 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 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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

WHSD 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 and pupil transportation.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 25, 2008, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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*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 Wayne Highlands School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District utilizes Central Susquehanna Intermediate Unit #16 (IU) to provide them with system maintenance and support. Both the vendor and the IU have remote access into the District’s network 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 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.

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

1. The District’s Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).

2. The District does not have current information technology (IT) policies and procedures for controlling the activities of the IU, nor does it require the IU to sign the District's Acceptable Use Policy.
3. 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 vendor, to change their passwords every 30 days; and to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters.

### **Recommendations**

The *Wayne Highlands School District* should:

1. Ensure that the District's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
2. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the IU sign this policy, or the District should require the IU to sign the District's Acceptable Use Policy.
3. 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). Passwords should be a minimum length of eight characters and include alpha, numeric and special characters.

### **Management Response**

The weaknesses noted in the observation are caused by the School District not including these provisions in the Acceptable Use Policy (AUP). The corrective actions planned by the School District are:

1. The development of a Program Partner Network Account Agreement that will be completed by all vendors and partners. Network user accounts will be approved and assigned by the District Technology Supervisor.

2. The addition of the following clauses to Article V, “Unacceptable Uses of District Network”, Section C, “System Security” of the District’s Acceptable Use Policy:
  - Network user accounts will be approved and assigned by the District Technology Supervisor, including accounts for program partners and vendors.
  - Passwords for network accounts will consist of eight (8) characters that include alpha, numeric and special characters.
  - Network users are to change passwords every 90 days as prompted.

## Status of Prior Audit Findings and Observations

Our prior audit of the Wayne Highlands School District (WHSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to certification and the observation pertained to their Memorandum of Understanding (MOU). 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 finding and observation. As shown below, we found that the WHSD did implement our recommendations related to certification and their MOU.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>Finding: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> <li>1. Ensure employees obtain current, valid teaching certificates.</li> <li>2. Monitor years of service for all non-permanently certified employees.</li> <li>3. Implement a system of review to ensure awareness of all DE's updated guidelines.</li> <li>4. DE should adjust the District's allocations to recover the subsidy forfeitures of \$3,023 and \$3,076 for the 2006-07 and 2005-06 school years, respectively.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the professional employees' certificates and assignments for the period April 30, 2005 through June 30, 2007 found a principal was employed with a lapsed certificate.</p> <p>The principal was appointed July of 2002 and was employed with an Elementary Principal certificate, issued in 1980, that lapsed July of 2005. The individual in question received permanent certification in August of 2007 when our auditors made the administration aware of the deficiency.</p>	<p><b>Current Status:</b></p> <p>We followed up on the WHSD professional employees' certificates and assignments for the period July 1, 2009 through August 31, 2010 and found that the District <u>did</u> take appropriate corrective action to ensure that District professional personnel were properly certified for their assignments.</p> <p>On June 12, 2009, DE adjusted the District's allocations to recover the subsidy forfeitures of \$3,023 and \$3,076 for the 2006-07 and 2005-06 school years, respectively.</p>

<p><u>Observation:</u> <u>Memorandum of</u> <u>Understanding Not</u> <u>Updated Timely</u></p> <ol style="list-style-type: none"><li>1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the District and the two local law enforcement agencies.</li><li>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</li></ol>	<p><b>Background:</b></p> <p>Our prior audit of the District’s records found that the MOU between the District and two local law enforcement agencies: Honesdale Borough Police Department and the Pennsylvania State Police, Honesdale Barracks, was signed August 27, 2001, and had not been updated.</p>	<p><b>Current Status:</b></p> <p>We followed up on the WHSD’s records and found that the WHSD <u>did</u> take appropriate corrective action to ensure a MOU between the WHSD and the Honesdale Borough Police Department and the Pennsylvania State Police, Honesdale Barracks was signed June 9, 2009.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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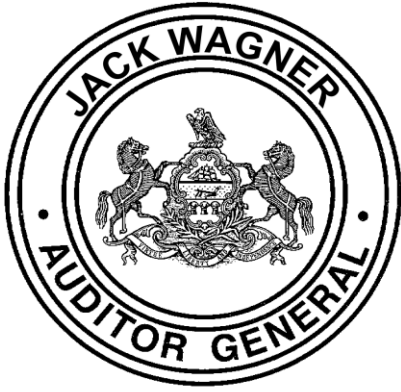
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