



A.W. BEATTIE CAREER CENTER
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2013

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Tom Schwartzmier, Chairperson
A.W. Beattie Career Center
9600 Babcock Boulevard
Allison Park, Pennsylvania 15101

Dear Governor Corbett and Mr. Schwartzmier:

We conducted a performance audit of the A. W. Beattie Career Center (AWBCC) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period October 22, 2010, through June 26, 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 AWBCC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. We appreciate the AWBCC's cooperation during the conduct of the audit.

Sincerely,

/s/

EUGENE A. DePASQUALE
Auditor General

March 4, 2013

cc: **A.W. BEATTIE CAREER CENTER** Joint Operating Committee Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the A. W. Beattie Career Center (AWBCC). Our audit sought to answer certain questions regarding the career center's compliance with applicable state laws, contracts, grant requirements, and administrative procedures, and to determine the status of corrective action taken by the AWBCC in response to our prior audit recommendations.

Our audit scope covered the period October 22, 2010, through June 26, 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.

School Background

According to School officials, in school year 2009-10 the AWBCC provided educational services to 645 secondary pupils through the employment of 41 teachers, 28 full-time and part-time support personnel, and 6 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises 18 members from the following school districts:

Avonworth
Deer Lakes
Fox Chapel Area
Hampton Township
Northgate
North Hills
North Allegheny

Pine-Richland
Shaler Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a one-year term. Lastly, the AWBCC received more than \$590,000 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the AWBCC complied, in all significant respects, with applicable state laws, 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 AWBCC, we found the AWBCC had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored 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 October 22, 2010, through June 26, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011, through June 30, 2012.

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

While all LEAs have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

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

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

- ✓ Were professional employees certified for the positions they held?
- ✓ Does the School have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?

- ✓ Are there any declining fund balances that may impose risk to the School's fiscal viability?
- ✓ Did the School pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?
- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ Did the School have a properly executed and updated Memorandum of Understanding with local law enforcement?

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 and conclusions based on our audit objectives.

AWBCC management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the School's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to 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 AWBCC operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 9, 2011, we reviewed the AWBCC's response to PDE dated May 24, 2012. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the A. W. Beattie Career Center resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the A. W. Beattie Career Center (AWBCC) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to outside vendor access and control weaknesses. As part of our current audit, we determined the status of corrective action taken by the AWBCC to implement our prior recommendations. We analyzed the AWBCC Acting Director's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned AWBCC personnel regarding the prior observation. As shown below, we found that the AWBCC did implement recommendations related to outside vendor access and control weaknesses.

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

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

Observation

Summary: Our prior audit found that risks existed that unauthorized changes to the career center's data could occur and not be detected because the career center was unable to provide supporting evidence that was adequately monitoring vendor activity in its system.

Recommendations: Our audit observation recommended that the AWBCC:

1. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
2. Maintain documentation showing that terminated employees are properly removed from the system in a timely manner.
3. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days); to use passwords that are a minimum length of eight characters; and to use passwords that include alpha, numeric and special characters.
4. Allow access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. The access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.

5. Generate monitoring reports (including firewall logs) of 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 career center should review these reports to determine that the access was appropriate and that data was not improperly altered. The career center should also ensure it is maintaining evidence to support this monitoring and review.
6. Ensure that upgrades/updates to the career center's system are made only after receipt of written system authorization from appropriate career center officials.
7. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contain membership/attendance data.
8. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the career center should install fire detectors/fire extinguishers in the computer room.

Current Status:

During our current audit procedures we found that AWBCC did implement all of the recommendations.

Distribution List

This report was initially distributed to the career center superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Nichole Duffy
Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

