

ADMIRAL PEARY AREA VOCATIONAL-TECHNICAL SCHOOL
CAMBRIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2011

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

Mr. Brian Tibbott
Joint Operating Committee Chairperson
Admiral Peary Area Vocational-Technical School
948 Ben Franklin Highway
Ebensburg, Pennsylvania 15931

Dear Governor Corbett and Mr. Tibbott:

We conducted a performance audit of the Admiral Peary Area Vocational-Technical School (APAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 13, 2009 through January 11, 2011, 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 APAVTS 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 APAVTS's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve APAVTS's operations and facilitate compliance with legal and administrative requirements.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 9, 2011

cc: **ADMIRAL PEARY AREA VOCATIONAL-TECHNICAL SCHOOL** 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 Admiral Peary Area Vocational-Technical School (APAVTS). Our audit sought to answer certain questions regarding the APAVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period August 13, 2009 through January 11, 2011, 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 APAVTS provided educational services to 425 secondary pupils and 110 post secondary pupils through the employment of 20 teachers, 13 full-time and part-time support personnel, and 3 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises ten members from the following school districts:

Blacklick Valley
Cambria Heights
Central Cambria
Conemaugh Valley
Northern Cambria
Penn Cambria
Portage Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the APAVTS received \$535,283 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the APAVTS 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. Weaknesses were noted in our review of the APAVTS's information technology controls (see page 6).

Status of Prior Audit Findings and Observations. Our prior audit of the APAVTS resulted in no findings or observations.



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 13, 2009 through January 11, 2011.

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 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 APAVTS'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:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the School receives state subsidy and reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the School receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the School?
- ✓ Did the School 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 School taking appropriate steps to ensure school safety?
- ✓ Did the School use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APAVTS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School 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 professional employee certification.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

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

Findings and Observations

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 system.

Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Admiral Peary Area Vocational-Technical School (APAVTS) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The vendor has remote access into the APAVTS’s network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the APAVTS’s data could occur and not be detected because the APAVTS is not adequately monitoring vendor activity in its system. However, since the APAVTS does have evidence that it has 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 decreased.

Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized change to the APAVTS’s membership information and result in the APAVTS not receiving the funds to which it is entitled from the state.

During our review, we found the APAVTS to have the following weaknesses over remote vendor access:

1. The APAVTS does not have evidence that it is reviewing monitoring reports of user remote access and activity on the system (including vendor and AVTS employees). There is no evidence that the APAVTS is performing procedures to determine which data the vendor may have altered or which vendor employees accessed the system.
2. The APAVTS does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
3. The APAVTS does not require written authorization before adding, deleting, or changing a userID.

4. The APAVATS does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the APAVTS's Acceptable Use Policy.
5. The APAVTS has certain weaknesses in logical access controls. We noted that the APAVTS's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days, and does not lock out users after three unsuccessful access attempts.

Recommendations

The *Admiral Peary Area Vocational-Technical School* should:

1. Review monitoring reports to determine that access was appropriate and that data was not improperly altered. Also, the APAVTS should ensure it is maintaining evidence to support this monitoring and review.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. 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 APAVTS's Acceptable Use Policy.
5. 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), and to lock out users after three unsuccessful access attempts.

Management Response

Management stated the following:

Admiral Peary AVTS will entertain recommendations given to better improve our systems.

Status of Prior Audit Findings and Observations

Our prior audit of the Admiral Peary Area Vocational-Technical School resulted in no findings or observations.

Distribution List

This report was initially distributed to the area vocational-technical school 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
Acting 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. Barbara Nelson
Director, Bureau of Budget and Fiscal
Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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