

SCHOOL DISTRICT OF THE CITY OF ALLENTOWN
LEHIGH COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Jeff Glazier, Board President
School District of the City of Allentown
31 South Penn Street
P.O. Box 328
Allentown, Pennsylvania 18105

Dear Governor Rendell and Mr. Glazier:

We conducted a performance audit of the School District of the City of Allentown (SDA) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period June 26, 2008 through August 13, 2010, 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 SDA complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two 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 SDA's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SDA's operations and facilitate compliance with legal and administrative requirements. We appreciate the SDA's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 27, 2010

cc: **SCHOOL DISTRICT OF THE CITY OF ALLENTOWN** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the School District of the City of Allentown (SDA). 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 SDA in response to our prior audit recommendations.

Our audit scope covered the period June 26, 2008 through August 13, 2010, 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 SDA encompasses approximately 19 square miles. According to 2000 federal census data, it serves a resident population of 106,630. According to District officials, in school year 2007-08 the SDA provided basic educational services to 18,234 pupils through the employment of 1,345 teachers, 880 full-time and part-time support personnel, and 71 administrators. Lastly, the SDA received more than \$91 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Finding 1: Continued Errors in Health Services Data Resulted in Reimbursement Underpayments. Our audit found that the SDA continued to incorrectly report average daily membership to the Department of Health (DH) for health services provided. By not adhering to the Public School Code and DH's proper procedures, the SDA was underpaid \$17,864 in its health services reimbursement subsidy for the school years 2007-08 and 2006-07 (see page 6).

Finding 2: Possible Certification Deficiencies. Our audit found that the SDA continued to fail in accurately monitoring the assignments for its professional personnel resulting in three potential certification deficiencies. Information pertaining to the questionable certificates was submitted to the Department of Education's, Bureau of School Leadership and Teacher Quality for its review (see page 8).

Observation: Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses. Our audit found that the SDA was unable to provide supporting evidence that they have implemented our prior audit recommendations, that SDA

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 10).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SDA from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SDA had not taken appropriate corrective action in implementing our recommendations pertaining to the reporting of health services data (see page 17), certification (see page 18) and unmonitored vendor system access and logical access control weaknesses (see page 19).

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 26, 2008 through August 13, 2010, except for the verification of professional employee certification which was performed for the period June 1, 2008 through July 30, 2010.

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 (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.

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 SDA'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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 findings, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observation and conclusions based on our audit objectives.

SDA 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 bus driver qualifications, professional employee certification, and financial stability.
- 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 SDA operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 29, 2009, we reviewed the SDA's response to DE dated November 10, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Continued Errors in Health Services Data Resulted in Reimbursement Underpayments

Public School Code section relevant to the finding:

Section 2505.1 provides for a reimbursement of actual costs for health services, with a maximum reimbursement of \$1.60 for medical services and \$7 for nurse services for each child enrolled in a school for the entire term, and a proportionate share for each child enrolled for a part of the school term. In addition, Act 25 of 1991 established that school districts would receive an additional uncategorized reimbursement for health services of \$9.70 multiplied by the district's ADM.

Our audit of the District's pupil membership reports submitted to the Department of Health (DH) for the 2007-08 and 2006-07 school years found continued errors in reporting average daily membership (ADM) to DH which resulted in reimbursement underpayments of \$8,925 and \$8,939, respectively.

Our prior audit found similar errors resulting in a \$39,852 underpayment for the school year 2005-06.

The errors for school years 2007-08 and 2006-07 are listed below:

<u>School Year</u>	<u>ADM</u>		<u>Understated</u>	<u>Underpayments</u>			<u>Totals</u>
	<u>Reported</u>	<u>Audited</u>		<u>Medical</u>	<u>Nurse</u>	<u>Act 25</u>	
2007-08	19,940.781	20,428.494	487.713	\$ 780	\$3,414	\$4,731	\$ 8,925
2006-07	18,415.368	18,903.811	488.443	<u>782</u>	<u>3,419</u>	<u>4,738</u>	<u>8,939</u>
			Totals	<u>\$1,562</u>	<u>\$6,833</u>	<u>\$9,469</u>	<u>\$17,864</u>

The clerical errors were caused by District personnel reporting ADM from a source other than final year-end child accounting reports that were submitted to the Department of Education (DE).

DH will be provided a copy of this finding by DE for use in making the necessary reimbursement adjustments.

Recommendations

The School District of the City of Allentown should:

1. Report ADM for all students for whom comprehensive health records are maintained.
2. Perform an internal review of the membership and health services data prior to submitting reports to DH.
3. Review reports for school years subsequent to our audit period and, if similar errors are found, submit revised reports to DH.

The Department of Health should:

4. Adjust the District's allocations to resolve the reimbursement underpayments of \$17,864 for the 2007-08 and 2006-07 school years and \$39,852 for the 2005-06 school year.

Management Response

Management stated the following:

An additional \$17,864 will be reimbursed to the ASD for the Health Services Reimbursement report for 2006-07 and 2007-08 school years. This amount reflects an underreporting of ADM for Vo-Tech and Pre-K students in the district. The correction was recognized and the data was submitted. These monies are in addition to the amounts of \$25,563.54 for school year 2006-07 and \$12,876.99 for school year 2007-08 previously received from PDE due to underreporting of said students. The District recognizes the error and will ensure that all ADM reporting is done accurately in the future using the PDE-4062 Annual Attendance and Membership Report.

Finding No. 2



Public School Code sections relevant to the finding:

Section 1202 provides, in part:

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

Section 1212 provides, in part:

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

Section 2518 mandates any school district 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. ...

Possible Certification Deficiencies

Our audit of professional employees' certification and assignments for the period June 1, 2008 through July 30, 2010, was performed to determine compliance with the Public School Code and the Bureau of School Leadership and Teacher Quality (BSLTQ), DE's, Certification and Staffing Policies and Guidelines. Our audit found three possible certification deficiencies.

A special education teacher may have served with a lapsed certificate from September 2009 through present. The individual was issued an Instructional I certificate in August 2003. She began her assignment effective September 2002 with an emergency Long-term Substitute certificate for the 2002-03 school year. The Instructional I certificate may have expired in September 2009.

An elementary teacher may have served with a lapsed certificate from September 2008 through present. The individual was issued an Instructional I certificate in April 1999 and began her assignment as an elementary teacher in September 2002. The certificate may have expired in September 2008.

An elementary teacher may have served with a lapsed certificate from September 2007 through present. The individual was issued an Instructional I certificate in June 1995. The individual began to use her certificate in September 1999. She was on leave for two years. Therefore, her certificate may have expired in September 2007.

Information pertaining to the possible lapsed certificates was submitted to BSLTQ, DE, for its review. If BSLTQ confirms the deficiency, the District would be subject to subsidy forfeitures of \$1,553 for the 2007-08 school year; \$2,929 for the 2008-09 school year; and \$4,433 for the 2009-10 school year, for a total of \$8,915.

The possible certification deficiencies were caused by the administration's failure to accurately monitor the assignments for its professional personnel.

Certification deficiencies were also cited in our prior audit report for the 2005-06 and 2004-05 school years.

Recommendations

The *School District of the City of Allentown* should:

1. Require the human resource manager to implement a review process to ensure individuals with provisional certificates receive their permanent certificates in a timely manner.
2. Require the human resource office to keep on file a copy of all valid Pennsylvania certificates held by its professional employees.

The *Department of Education* should:

3. In conjunction with BSLTQ's determination, adjust the District's allocations to recover any subsidy forfeitures deemed necessary.

Management Response

Management stated the following:

- A. In two of the cases, the school district upon finding that the professional employees were without valid certificates, met with union representatives, and immediately placed the employees on leave. Subsequently, when the school entity determined that an employee may have an invalid or lapsed certificate, pursuant to Basic Education Circular 24 P.S. 12-1201 (Audits Relating to Lapsed Certificates), the school entity informed the Bureau of Teacher Preparation and Certification in writing and requested the department's determination on the certificates status. The school district advised the employees that such a letter was sent to the department, which then had thirty days within which to act. The department advised the school district there were no valid certificates and the district terminated the employee's contract by a recommendation to the board of school directors on Thursday, August 26, 2010.
- B. With respect to [one] professional employee, the issue is employee identification. A certificate was issued after having found an error in the coding of her name and/or social security identification which was resolved with the granting of a certificate.

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.

Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses

As cited in our prior report, the School District of the City of Allentown uses software purchased from the Carbon-Lehigh Intermediate Unit #21 (CLIU) for its critical student accounting applications (membership and attendance). CLIU has remote access into the District’s network servers.

Based on our current year procedures, we determined that a risk continues to exist 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 have implemented our prior audit recommendations and are adequately monitoring all CLIU 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. Attendance and membership reconciliations are performed between manual records and reports generated from the Student Accounting System.

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.

Our follow up review of the prior audit weaknesses over vendor access to the District’s system found that the District did not implement 6 out of the 8 previous recommendations, as follows:

1. The District’s Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements) and violations/incidents (what is to be reported and to whom).

2. The District does not have current information technology (IT) policies and procedures for controlling the activities of CLIU, nor does it require the CLIU 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 lock out users after three unsuccessful attempts and to log off the system after a period of inactivity (i.e., 60 minutes maximum).
4. CLIU has unlimited access (24 hours a day/7 days a week) into the District's system.
5. The District does not have evidence they are generating or reviewing monitoring reports of user access and activity on the system (including CLIU and District employees). There is no evidence that the District is performing procedures in order to determine which data the CLIU may have altered or which CLIU employees accessed their system.
6. 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.

Recommendations

The *School District of the City of Allentown* should:

1. Include in its Acceptable Use Policy provisions for authentication (password security and syntax requirements) and violations/incidents (what is to be reported and to whom).
2. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the CLIU sign this policy, or the District should require the CLIU 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). Also, the District should lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

4. Only allow access to their system when CLIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when CLIU has completed its work. This procedure would also enable the monitoring of CLIU changes.
5. Generate monitoring reports (including firewall logs) of CLIU 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.
6. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

Management Response

Management stated the following:

1. ASD Policy 815, “Acceptable Use of CIC Systems” (latest version adopted by the Board June 27, 2007) does address password security under “Access and Security Prohibitions”, item #2.

“Acquiring or attempting to acquire passwords of another. Users will be held responsible for the result of any misuse of users’ names or passwords while the users’ systems access was left unattended and accessible to others, whether intentional or through negligence.”

The policy also addresses possible consequences for violations/incidents under “Consequences For Inappropriate, Unauthorized And Illegal Use”.

“Users are required to use unique strong passwords that comply with the School District’s password, authentication and syntax requirements.”

A draft revision of Policy 815 has been completed. It is expected to be considered by the Board during Fall, 2010. The revised policy directs:

The policy does not specify the details of this. These are addressed in the administrative regulations that will implement the revised version of Policy 815:

- Password authentication take place according to industry best practices; and
 - Password syntax be constructed according to industry best practices.
2. The District has established a draft version of a separate policy specifically directed at vendors, contractors, consultants, etc. who need access to District computing facilities and/or data, which defines the relationship between them and the District and which specifies procedures to which they must adhere. Emanating from the policy should be appropriate language to be written into contracts and agreements between these individuals and/or companies and the District.

A draft version of this policy has been completed. It is expected to be considered by the Board during Fall, 2010.

3. The following rules and process has been developed by the ASD IT Department. The specifics of this process have been addressed in the District administrative regulation implementing Policy 815.

Password syntax rules:

1. Passwords must:
 - be 6-8 characters in length
 - contain a lowercase letter
 - contain at least 2 of the following 3 items:
 - √ an uppercase letter
 - √ a digit
 - √ a special character
2. Passwords must NOT:
 - be based on a common password
 - be based on a single dictionary word
 - be base on your user id
 - be based on you domain name

3. Passwords should not use patterns or repeated characters
4. Users are required to change their passwords on a yearly basis.

Implementation of the password change process began in April, 2010 on a building by building basis and was completed in June, 2010.

4. The District's contract with Carbon-Lehigh IU 21 for hosting and supporting SchoolMax, the district's student information management system, was re-negotiated. In that contract is language that addresses the following:

- System security
- Adherence to the PA Data Breach Notification Act
- Disclosure of customer identify
- Confidentiality
- Privacy
- Data ownership

These issues have been addressed in more recent software support contracts (e.g. with Skyward, the vendor for the District's financial and human resource management software).

5. Reference is made to the discussion above under item [4]. In supporting the District's users, CLIU personnel must access SchoolMax frequently. In most cases, IU support personnel would simply be helping a District employee operate a specific function of School Max; no changes in data would result from actions by the IU. In other instances, IU support personnel could be (and have been) called on to fix incorrect data that has been input by District employees. Since the IU bills the District for time spent in SchoolMax support activities, the means exists to provide more detailed information regarding the specifics of each contact between IU and District personnel.

SchoolMax does log access and records user ID plus dates and times in the log. It is unknown what level of detail beyond that information is gathered or for how long it is maintained. The nature of SchoolMax as an online database requires that logs of every transaction be maintained in the event the transactions(s) would need to be rolled back. The transaction logs do not lend themselves to easy monitoring and typically come into

play only if a situation develops in which the database is or may have been corrupted. Certainly monitoring reports based on the transaction logs could be developed, if they do not already exist within SchoolMax, though such development would likely require resources that neither the District nor the IU have and which would need to be supplied by SchoolMax at some cost to the District.

The utility of firewall logs in this situation is questionable. Since SchoolMax exists on a server on the IU's network inside its firewall, the firewall logs would provide no information regarding access to SchoolMax by IU personnel. Depending how it is configured, the IU network firewall might provide some information regarding SchoolMax access by District employees.

The usefulness of any monitoring report (see also reference to monitoring reports in item [4]) that would be created to comply with this recommendation rests in the District's ability and willingness to spend the resources required to actually read and analysis the report. Doing so requires staff time and is very often the reason such reports tend to gather dust.

6. The updates/upgrades to SchoolMax can be characterized as one of the following:
 1. Updates to data performed by either District users or by IU users in conjunction with and at the direction of District users. Because of the high frequency of the latter, requiring written authorization from the District for such updates is impractical.
 2. The IU occasionally modifies the structure of data tables or screens, creates new reports, or performs mass data updates. All of these are done by the IU at the request of and in consultation with the District. Because these involve additional services, and, therefore, costs, beyond those agreed upon in the SchoolMax support agreement, authorization to perform them is written.
 3. The IU performs the data "rollover" that occurs at the end of one school year and prior to the beginning of the next. This process populates various data tables for the new year and moves students from one grade to the next. Since it is

part of the general operation of SchoolMax, no additional costs are involved. However, the IU does notify the District when it wants to perform the rollover and does not do it until it receives e-mail authorization to do so.

4. Because the IU does not own the SchoolMax application nor any rights to its source code, the IU cannot perform any upgrades or changes to the system at that level. SchoolMax periodically releases updates and upgrades up to 3 or 4 times a year which correct problems, upgrade various modules, and/or entirely new modules to the system. The IU applies the updates/upgrades only after notifying the District and after receiving e-mail authorization from the District to proceed.

With regard to items 1 and 2 above, the impact of changes is either relatively minimal (item 1) or, in the process of changing the structure of data tables or screens, creating new reports, or performing mass data updates, their impact was discussed, analyzed, and as well understood as those changes were created. The changes would not be performed until authorization to proceed was given to the IU by ASD.

With regard to actual program source code changes noted in Item 4 above, while the changes are written by SchoolMax (not CLIU), they are driven by input from the various SchoolMax clients throughout the US. They represent “bug” or problem fixes, increased functionality within modules, and additional modules not contained in the base product. These typically would have gone through a testing process which, while no foolproof, is rigorous enough to flush out nearly all problems.

Auditor Conclusion

The conditions and recommendations stated above represent the information communicated to the auditors during our fieldwork. Any subsequent improvements or changes in management representations will be evaluated in the subsequent audit. Therefore, the observation will stand as presented.

Status of Prior Audit Findings and Observations

Our prior audit of the School District of the City of Allentown (SDCA) for the school years 2005-06 and 2004-05 resulted in two findings and one observation. The first finding pertained to the reporting of health services data, the second certification and the observation pertained to their unmonitored vendor system access and 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 analyzed the SDA Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the SDA did not implement recommendations related to the reporting of health services data, certification and their unmonitored vendor system access and logical access control weaknesses.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
Prior Recommendations	Implementation Status	
<p><u><i>I. Finding No. 1: Health Services Reimbursement Underpayment of \$39,852</i></u></p> <ol style="list-style-type: none"> 1. Report average daily membership (ADM) for all students for whom comprehensive health records are maintained. 2. Perform an internal review of the membership and health services data prior to submitting reports to the Department of Health (DH). 3. Review reports for school years subsequent to our audit period and, if similar errors are found, submit revised reports to DH. 4. DH should adjust the District's allocations to resolve the reimbursement underpayment of \$39,852 for the 2005-06 school year. 	<p>Background:</p> <p>Our prior audit found that the SDA reported ADM to DH incorrectly. The errors resulted in an overpayment of \$39,852.</p>	<p>Current Status:</p> <p>We followed up on the SDA health services reports and found that the SDA did not take corrective action to address our prior audit recommendations. (See Finding No. 1, page 6). As of our fieldwork completion date of August 13, 2010, DH had not adjusted the District's allocations to resolve the reimbursement underpayment of \$39,852.</p>

<p><u>II. Finding No. 2: Possible Certification Deficiencies</u></p> <ol style="list-style-type: none">1. Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.2. Implement a system of control that would evidence lapsed or invalid certificates.3. DE in conjunction with the Bureau of School Leadership and Teacher Quality's determination should adjust the District's allocations to recover any subsidy forfeitures deemed necessary.	<p>Background:</p> <p>Our prior audit of the professional employees' certification and assignments for the period April 22, 2006 through May 31, 2008, found 14 certification deficiencies.</p>	<p>Current Status:</p> <p>We followed up on the SDA certification and found that the SDA did not take appropriate corrective action to address our prior audit finding (see Finding No. 2, page 8).</p>
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<p><u>III. Observation:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Include in its Acceptable Use Policy provisions for authentication (password security and syntax requirements) and violations/incidents (what is to be reported and to whom). 2. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the Carbon-Lehigh Intermediate Unit #21 (CLIU) sign this policy, or the District should require the CLIU to sign the District's Acceptable Use Policy. 3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner. 4. 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. Also, the District should lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 	<p>Background:</p> <p>Our prior audit found that the SDA uses software purchased from the CLIU for its critical student accounting applications (membership and attendance). CLIU has remote access into the District's network servers.</p> <p>During our review, we found the District had eight weaknesses over vendor access to the District's system.</p>	<p>Current Status:</p> <p>We followed up on the SDA weaknesses over vendor access to the District's system and found that the SDA did not take corrective action to address all of our prior audit recommendations. We found that SDA complied with 2 of the 8 recommendations (see Observation, page 10).</p>
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<p>60 minutes maximum).</p> <p>5. Only allow access to their system when CLIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when CLIU has completed its work. This procedure would also enable the monitoring of CLIU changes.</p> <p>6. Generate monitoring reports (including firewall logs) of CLIU 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.</p> <p>7. Make upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.</p> <p>8. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.</p>		
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Distribution List

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