

AVELLA AREA SCHOOL DISTRICT  
WASHINGTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2012



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

Mr. Corey McConn, Board President  
Avella Area School District  
1000 Avella Road  
Avella, Pennsylvania 15312

Dear Governor Corbett and Mr. McConn:

We conducted a performance audit of the Avella Area School District (AASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 2, 2009 through June 24, 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 AASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with AASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve AASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the AASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 1, 2012

cc: **AVELLA AREA 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 Avella Area School District (AASD). Our audit sought to answer certain questions regarding the AASD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the AASD in response to our prior audit recommendations.

Our audit scope covered the period November 2, 2009 through June 24, 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.

### **District Background**

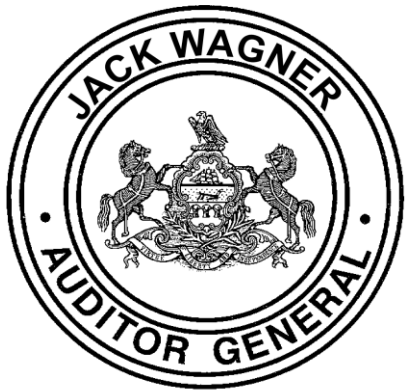
The AASD encompasses approximately 73 square miles. According to 2000 federal census data, it serves a resident population of 4,497. According to District officials, in school year 2009-10 the AASD provided basic educational services to 636 pupils through the employment of 62 teachers, 36 full-time and part-time support personnel, and 4 administrators. Lastly, the AASD received more than \$6 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the AASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

**Finding: Certification Deficiency.** Our audit of the professional employees' certificates and assignments for the period October 30, 2009 through June 24, 2011, found that one individual was employed on a lapsed certificate from September 1, 2010 through April 30, 2011 (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the AASD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the AASD had taken some corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8).





## 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 November 2, 2009 through June 24, 2011, except for the verification of professional employee certification which was performed for the period October 30, 2009 through June 24, 2011.

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

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 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 AASD'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 audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ 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 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 District taking appropriate steps to ensure school safety?
- ✓ 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?
- ✓ 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, 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, observations and conclusions based on our audit objectives.

AASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District 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.

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, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on September 3, 2010, we reviewed the AASD's response to PDE dated April 20, 2011. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC) provides, in part:

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

Section 2518 of the PSC provides, in part:

“[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.”

### Certification Deficiency

Our audit of the professional employees’ certificates and assignments for the period October 30, 2009 through June 24, 2011, found that one individual was employed on a lapsed certificate from September 1, 2010 through April 30, 2011, resulting in a subsidy forfeiture of \$1,828.

This was caused by an oversight by the District, during its annual review of certificates.

Information pertaining to the deficiency was submitted to Bureau of School Leadership and Teacher Quality (BSLTQ), Pennsylvania Department of Education, for its review. Subsequent to our completion of fieldwork BSLTQ confirmed the deficiency. Therefore, the District is subject to a subsidy forfeiture of \$1,828 for the 2010-11 school year.

### Recommendations

The *Avella Area School District* should:

Put in place procedures to assure that only properly certified teachers are placed in the classroom.

The *Pennsylvania Department of Education* should:

Recover the subsidy forfeiture levied as a result of BSLTQ’s determination.

**Management Response**

Management stated the following:

“The cause of this finding was an oversight during the District’s annual certification review process. When reviewing files to prepare for the state audit, it was discovered that a teacher’s certificate had lapsed. The teacher had attained his 24 credits and stated he completed the application for his Level II certificate. PDE had no record of this application. Immediate action was taken to rectify this problem. The issue was brought to the attention of the superintendent and then to the auditor on site. An application for Level II certification was completed and the process was approved as of May 1, 2011. A copy of the Level II certificate was provided to the state auditor.”

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

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Our prior audit of the Avella Area School District (AASD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to unmonitored vendor system access. 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 AASD Board's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the AASD did implement some recommendations related to unmonitored vendor system access and logical access control weaknesses.

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

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

**Finding Summary:** Our prior audit found unmonitored vendor system access and logical access control weaknesses that 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.

**Recommendations:** Our audit finding recommended that the AASD:

1. Include in its Acceptable Use Policy provisions for privacy e.g., accountability (responsibilities of users, auditing, incident handling); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to whom). Further, the employees should be required to sign the policy.
2. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or sign the District's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.

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). 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).
6. Allow access to the District's system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
7. Allow upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.
8. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.
9. Maintain the servers with the membership/attendance data in a restricted/secure area in order to detect/deter unauthorized physical access to the membership/attendance data.
10. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
11. 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 District should install fire detectors and fire suppression equipment in the computer room
12. Perform regular backups of the system.
13. Store back-up tapes in a secure, off-site location.
14. To mitigate IT control weaknesses, implement compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status: During our current audit procedures we found the AASD did implement recommendations 2, 6, and 9 through 13. However, the District had not yet implemented the remaining recommendations. We strongly recommend the District implement the rest of our recommendations to protect the integrity of the membership data.

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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:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17126

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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](http://www.auditorgen.state.pa.us).

