

BEDFORD COUNTY TECHNICAL CENTER  
BEDFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. Jay Cessna, Joint Operating Committee Chairperson  
Bedford County Technical Center  
195 Pennknoll Road  
Everett, Pennsylvania 15537

Dear Governor Rendell and Mr. Cessna:

We conducted a performance audit of the Bedford County Technical Center (BCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 8, 2007 through July 1, 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 BCTC 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 BCTC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BCTC's operations and facilitate compliance with legal and administrative requirements. We appreciate the BCTC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 21, 2010

cc: **BEDFORD COUNTY TECHNICAL CENTER** Joint Operating Committee 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 Bedford County Technical Center (BCTC). Our audit sought to answer certain questions regarding BCTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period June 8, 2007 through July 1, 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.

### **School Background**

According to School officials, in school year 2007-08 the BCTC provided educational services to 957 secondary pupils and 197 post-secondary pupils through the employment of 11 teachers, 7 full-time and part-time support personnel, and 2 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 9 members from the Bedford Area and Everett Area school districts.

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the BCTC received more than \$621 thousand in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the BCTC 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 determined that a risk exist that unauthorized changes to the BCTC's data could occur and not be detected because the BCTC was unable to provide supporting evidence that it is adequately monitoring all vendor activity in their student accounting system (see page 5).

**Status of Prior Audit Findings and Observations.** There were no findings or observations issued in our prior audit for the school years 2005-06 and 2004-05.





## 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 June 8, 2007 through July 1, 2009, except for certification which was reviewed for the period July 1, 2008 through June 30, 2009.

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

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

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 BCTC'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?
- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the School?

*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.

- ✓ Did the School 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 School taking appropriate steps to ensure school safety?

## 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.

BCTC 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 area of comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification and financial stability.
- Items such as JOC meeting minutes.

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

## 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 Bedford County Technology Center (BCTC) uses an outside vendor to provide system maintenance and support for its critical student accounting applications (membership and attendance). The outside vendor has remote access to the BCTC’s network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the BCTC’s data could occur and not be detected because the BCTC was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system. However, since the BCTC has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, the risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the BCTC 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 BCTC’s membership information and result in the BCTC not receiving the funds to which it was entitled from the state.

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

1. The BCTC does not have a formal contract with the vendor providing student accounting applications and related information technology (IT) services.
2. The BCTC does not have a fully executed maintenance agreement on file.
3. The contract with the vendor did not contain a non-disclosure agreement for the BCTC’s proprietary information.

4. School employees are not required to sign the BCTC's acceptable use policy (AUP).
5. The BCTC does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the BCTC's AUP.
6. The BCTC does not require written authorization before adding, deleting or changing a userID.
7. The BCTC does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
8. The BCTC has certain weaknesses in logical access controls. We noted the BCTC's system parameter settings do not require all users, including the vendor, to change their passwords 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.
9. The vendor has unlimited access (24 hours a day/7 days week) into the BCTC's system.
10. The BCTC does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and School employees). There is no evidence that the BCTC is performing procedures to determine which data the vendor may have altered or which vendor employees accessed their system.
11. The BCTC does not maintain the servers with membership/attendance data in a restricted/secure area. The server is located in a conference room which is open during normal working hours.
12. The BCTC does not have a list of personnel with access to the area where the servers with the membership/attendance data reside.

**Recommendations**

The *Bedford County Technical Center* should:

1. Develop an agreement with the vendor to provide student accounting applications and related IT services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.
2. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
3. Develop a contract with the vendor that contains a non-disclosure agreement for the School's propriety information.
4. Require its employees to sign the School's AUP.
5. 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 School's AUP.
6. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
7. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
8. 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); to use passwords that are a minimum length of eight characters and that include alpha, numeric and special characters.
9. Allow access to the 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 should also enable the monitoring of vendor changes.

10. Generate monitoring (including firewall logs) of vendor and employee access and activity on the system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The School should review these reports to determine that the access was appropriate and that data was not improperly altered. The School should also ensure it is maintaining evidence to support this monitoring and review.
11. 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.
12. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.

**Management Response**

Management stated the following:

The Bedford County Technical Center is currently under construction. A secure/restricted data closet is slated for installation as part of the building project. School servers will be contained in this room and physical access to this room will be restricted.

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

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**O**ur prior audit of the Bedford County Technical Center for the school years 2005-06 and 2004-05 resulted in no findings or observations.





## **Distribution List**

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This report was initially distributed to the technology center superintendent of record, the joint operating committee, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
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The Honorable Robert M. McCord  
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