

BEDFORD COUNTY TECHNICAL CENTER  
BEDFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2013





**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
AUDITOR GENERAL**

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

Ms. Sheila Whisker  
Joint Operating Committee Chairperson  
Bedford County Technical Center  
195 Pennknoll Road  
Everett, Pennsylvania 15537

Dear Governor Corbett and Ms. Whisker:

We conducted a performance audit of the Bedford County Technical Center (BCTC) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period July 1, 2009 through September 12, 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 BCTC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, we identified a 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 9, 2013

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 the CTC's compliance with applicable state laws, contracts, grant requirements, and administrative procedures, and to determine the status of corrective action taken by the BCTC in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2009 through September 12, 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 BCTC provided educational services to 289 secondary pupils and post-secondary pupils through the employment of 10 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 comprises 9 members from the Bedford Area and Everett Area school districts.

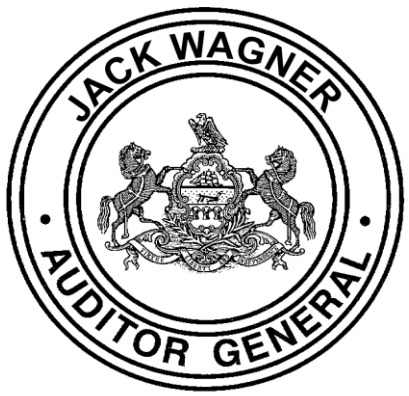
The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the BCTC received more than \$622 thousand in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the BCTC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified a matter unrelated to compliance that is reported as an observation.

**Observation: District Needs to Establish Separate Information Technology Policies and Procedures.** We determined again that the BCTC has not established separate information technology procedures (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the BCTC from an audit we conducted of the 2007-08 and 2006-07 school years, we found the BCTC had taken appropriate corrective action in implementing some of our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses. However, the BCTC has not implemented two of our recommendations (see page 7).





## 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 July 1, 2009 through September 12, 2011, except for the verification of professional employee certification, which was performed for the period July 1, 2010 through July 1, 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 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 BCTC'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?
- ✓ 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?
- ✓ Did the School 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 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, 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, and financial stability.
- Items such as meeting minutes and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2010, we reviewed the BCTC's response to PDE dated February 27, 2010. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

#### District Needs to Establish Separate IT Policies and Procedures

The Bedford County Technical 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 into the BCTC's network servers. Our prior audit noted various weaknesses in vendor system access and logical access control weaknesses.

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 still does not have current information technology (IT) policies and procedures for controlling the activities of the vendor. By having written IT policies and procedures in place the BCTC would reduce the risk of certain procedures not being followed when new employees are hired to perform the IT function (ex: reviewing firewalls, reviewing what programs were changed and by whom, and reviewing access logs into the technical center's server).

In addition, BCTC still does not have a fully executed maintenance agreement on file with the vendor.

### Recommendations

The *Bedford County Technical Center* should:

1. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy.
2. Keep a copy of the fully executed maintenance agreement on file, signed by both parties.

### Management Response

Management provided a response agreeing with the observation, and making no further comment.

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

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Our prior audit of the Bedford County Technical Center (BCTC) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to 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 BCTC to implement our prior recommendations. We analyzed the BCTC Board's written response provided to the Pennsylvania Department of Education, performed audit procedures, and questioned BCTC personnel regarding the prior observation. As shown below, we found that the BCTC did implement most of our recommendations related to unmonitored vendor system access and logical access control weaknesses; however, two recommendations were not implemented.

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

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

Observation

Summary:

We determined that a risk existed 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 was adequately monitoring all vendor activity in its student accounting system.

Recommendations:

Our audit observation recommended that the BCTC:

1. Develop an agreement with the vendor to provide student accounting applications and related information technology (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 maintenance agreement on file, signed by both parties.
3. Develop a contract with the vendor that contains a non-disclosure agreement for the School's proprietary information.
4. Require its employees to sign the School's acceptable use policy (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 passwords on a regular basis (i.e., every 30 days), and to use passwords that are a minimum length of eight characters and 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.

Current Status:

During our current audit, we found that the BCTC did implement most of our recommendations. However, the BCTC did not implement recommendations, No. 1 and No. 2, as noted in our current observation (see page 6).

## **Distribution List**

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This report was initially distributed to the technical 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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