

BENTON AREA SCHOOL DISTRICT
COLUMBIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Robert Ridall, Board President
Benton Area School District
600 Green Acres Road
Benton, Pennsylvania 17814

Dear Governor Rendell and Mr. Ridall:

We conducted a performance audit of the Benton Area School District (BASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period January 22, 2008 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 BASD 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 BASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BASD'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: **BENTON AREA SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Observation – Unmonitored CSIU System Access and Logical Access Control Weaknesses	6
Status of Prior Audit Findings and Observations	11
Distribution List	13



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Benton Area School District (BASD). 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 BASD in response to our prior audit recommendations.

Our audit scope covered the period January 22, 2008 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.

District Background

The BASD encompasses 96.8 square miles. According to 2000 federal census data, it serves a resident population of 5,260. According to District officials, in school year 2007-08 the BASD provided basic educational services to 751 pupils through the employment of 68 teachers, 38 full-time and part-time support personnel, and 9 administrators. Lastly, the BASD received more than \$4.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the BASD 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 CSIU System Access and Logical Access Control Weaknesses. We noted that BASD personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over CSIU access to the student accounting applications (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the BASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the BASD had taken appropriate corrective action in implementing our recommendations pertaining to a certification irregularity and a Memorandum of Understanding not being updated timely (see page 11).



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 January 22, 2008 through July 1, 2009, except for the verification of professional employee certification which was performed for the period January 23, 2008 through May 21, 2009.

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

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 BASD'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?

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 District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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, 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.

BASD 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 and professional employee certification.
- Items such as Board meeting minutes and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 28, 2009, we reviewed the BASD's response to DE dated May 10, 2009. We then performed additional audit procedures targeting the previously reported matters.

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 systems.

Unmonitored CSIU System Access and Logical Access Control Weaknesses

The Benton Area School District uses software purchased from the Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance). Additionally, the District’s entire computer system, including all its data and the CSIU’s software are maintained on District servers which are physically located at the District. The CSIU has remote access into the District’s network servers. CSIU also provides the District with system maintenance and support.

Based on our current year procedures, we determined that a risk exists 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 are adequately monitoring all CSIU activity in their system. However, since the District has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. 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 move into an entirely paperless future with decentralized direct entry of data into their systems. Unmonitored CSIU 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.

During our review, we found the District had the following weaknesses over CSIU access to the District's system:

1. The District does not require all local education agency (LEA) employees to sign that they agree to abide by the information technology (IT) Security Policy.
2. The District does not have current IT policies and procedures for controlling the activities of CSIU, nor does it require the CSIU to sign the District's Acceptable Use Policy.
3. The District does not require written authorization before adding, deleting, or changing a userID.
4. 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 CSIU, to use passwords that are a minimum length of eight characters, include alpha, numeric and special characters and to maintain a password history (i.e., approximately ten passwords).
5. The CSIU uses a group userID rather than requiring that each employee has a unique userID and password.

Recommendations

The *Benton Area School District* should:

1. Require all LEA employees sign that they agree to abide by the IT Security Policy.
2. Establish separate IT policies and procedures for controlling the activities of CSIU and have the CSIU sign this policy, and the District should require the CSIU to sign the District's Acceptable Use Policy.
3. Require written authorization before adding, deleting, or changing a userID.

4. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight characters, include alpha, numeric and special characters and to maintain a password history (i.e., approximately ten passwords).
5. Require the CSIU to assign unique userIDs and passwords to CSIU employees authorized to access the District system. Further, the District should obtain a list of CSIU employees with access to its data and ensure that changes to the data are made only by authorized CSIU representatives.

Management Response

Management provided the following response:

1. The Benton Area School District will develop a form for all employees to sign that they will abide by the IT Security Policy. All employees will be required to sign the document at the beginning of each school year.
2. The Benton Area School District will develop a form for the IU employees that access the District's network and data to sign that they will abide by the District's Acceptable Use Policy.
3. The Benton Area School District will develop a form for the HR department to request the adding, deleting or changing of usersID which will be completed by the Technology Director.
4. The Benton Area School District will inform the software vendor (CSIU 16) that they should require strong passwords on the software and also that a password history should be maintained.
5. The Technology Director will work with the vendor (CSIU 16) to establish individual login accounts for employees of CSIU 16 who access the district's network and data.

Auditor Conclusion

The conditions and recommendations stated in this observation 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.



Status of Prior Audit Findings and Observations

Our prior audit of the Benton Area School District (BASD) for the school years 2005-06 and 2004-05 resulted in a finding and an observation. The finding pertained to a certification deficiency and the observation pertained to a Memorandum of Understanding not being updated timely. 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 BASD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the BASD did implement recommendations related to certification and the Memorandum of Understanding.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Possible Certification Deficiency</i></u></p> <ol style="list-style-type: none"> 1. The superintendent, in conjunction with Bureau of School Leadership and Teacher Quality's (BSLTQ) determination, should strengthen controls to help ensure that all professional personnel hold valid certification at the time of assignment. 2. DE, in conjunction with BSLTQ's determination, should adjust the District's allocations to recover any subsidy forfeiture deemed necessary. 	<p>Background:</p> <p>Our prior audit of professional employees' certificates and assignments for the period September 20, 2005 through January 22, 2008, found that a librarian may have been employed for a period of three months during the 2007-08 school year without holding valid certification.</p>	<p>Current Status:</p> <p>We followed up on the BASD certification and found that the BASD <u>did</u> take corrective action to address our prior audit recommendations.</p> <p>Furthermore, DE adjusted the District's allocations and recovered a subsidy forfeiture in the amount of \$693.</p>

<u>II. Observation: Memorandum of Understanding Not Updated Timely</u>	Background:	Current Status:
<ol style="list-style-type: none">1. In consultation with the solicitor, continue to review, updated and re-execute the current Memorandum of Understanding (MOU) between the District and the Benton Area Police Department.2. Adopt policy requiring the administration to review and re-execute the MOU every two years.	<p>Our prior audit of the District's records found that the MOU between the District and the Benton Area Police Department was signed September 8, 2005, and has not been updated.</p>	<p>We followed up on the BASD MOU and found that the BASD <u>did</u> take corrective action to address our prior audit recommendations by updating their MOU on January 17, 2008.</p>

Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

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

The Honorable Gerald Zahorchak, D.Ed.
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

Senator Jeffrey Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office 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



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.

