

BLAIRSVILLE-SALTSBURG SCHOOL DISTRICT  
INDIANA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Mr. Edward Smith, Board President  
Blairsville-Saltsburg School District  
102 School Lane  
Blairsville, Pennsylvania 15717

Dear Governor Corbett and Mr. Smith:

We conducted a performance audit of the Blairsville-Saltsburg School District (BSSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 17, 2010 through November 4, 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 BSSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

We appreciate the BSSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 20, 2012

cc: **BLAIRSVILLE-SALTSBURG 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 Blairsville-Saltsburg School District (BSSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the BSSD in response to our prior audit recommendations.

Our audit scope covered the period June 17, 2010 through November 4, 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 BSSD encompasses approximately 143 square miles. According to 2000 federal census data, it serves a resident population of 14,363. According to District officials, in school year 2009-10 the BSSD provided basic educational services to 1,890 pupils through the employment of 147 teachers, 101 full-time and part-time support personnel, and 9 administrators. Lastly, the BSSD received more than \$13.9 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the BSSD complied, in all significant respects, with applicable state laws, contracts, grant requirements. We report no findings or observations in this report.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the BSSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the BSSD had taken appropriate corrective action in implementing our recommendations pertaining to reporting membership data (see page 7) and certification deficiencies (see page 8). The BSSD had not yet fully implemented the 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 June 17, 2010 through November 4, 2011, except for the verification of professional employee certification which was reviewed for the 2011-12 school year assignments.

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 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 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 BSSD'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?
- ✓ 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?

- ✓ 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 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.

BSSD 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, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 9, 2010, we reviewed the BSSD's response to DE dated August 17, 2011. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Blairsville-Saltsburg School District resulted in no findings or observations.

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

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Our prior audit of the Blairsville-Saltsburg School District (BSSD) for the school years 2007-08 and 2006-07 resulted in two reported findings and one observation. The first finding pertained to membership data, the second finding pertained to certification deficiencies, and 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 District to implement our prior recommendations. We analyzed the BSSD 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 BSSD did implement recommendations related to reporting membership data and certification deficiencies, but had not yet fully implemented our recommendations regarding 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 No. 1:           Errors in Reporting Pupil Membership Resulted in an Overpayment of \$15,986**

Finding Summary:    Our prior audit found that the District's pupil membership reports submitted to DE for the 2006-07 school year were inaccurate. Clerical errors resulted in an overpayment of \$15,986 for children placed in private homes reimbursement.

Recommendations:   Our audit finding recommended that the BSSD:

1. Perform an internal review of all pupil membership reports and supporting documentation before submission to DE.
2. Review subsequent school years' membership reports for accuracy and resubmit if necessary.

We also recommended that DE:

3. Adjust the District's future allocations to correct the overpayment of \$15,986.

Current Status:       During our current audit procedures we found that the BSSD did implement the recommendations. Our audit of the 2009-10 school year found no errors in reporting nonresident membership. As of November 4, 2011, DE had not yet adjusted the District's allocations to correct the subsidy overpayment.

**Finding No. 2: Certification Deficiencies**

Finding Summary: Our prior audit of the District's professional employees' certificates and assignments for the period November 18, 2008 to June 1, 2010, found that two teachers were assigned to areas they were not certified to teach during the 2009-10 school year.

Recommendations: Our audit finding recommended that the BSSD:

1. Strengthen controls to ensure that professional personnel possess valid certification for the positions to which they are assigned.
2. Reassign personnel if necessary, to ensure employees are assigned to area for which they hold proper certification.

We also recommended that DE:

3. Adjust the District's future allocations to recover the appropriate subsidy forfeiture.

Current Status: During our current audit procedures we found that the BSSD did implement the recommendations. Both teachers are no longer employed by the District and the class in question is no longer offered. On June 1, 2011, DE adjusted the District's allocations to recover the subsidy forfeiture.

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

Finding Summary: The BSSD uses software purchased from a vendor for its critical student accounting applications (membership and attendance) and system maintenance and support. The vendor has remote access into the District's network servers. We found several weaknesses in the District's logical access controls.

Recommendations: Our audit observation recommended that the BSSD:

1. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives.
2. Allow remote 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 would also enable the monitoring of vendor changes.

3. Implement a security policy and system parameter settings to require all users, including the vendor during their remote access, to change their passwords on a regular basis (i.e., every 30 days); use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; and log off the system after a period of inactivity (e.g., 60 minutes maximum).

Current Status:

During our current audit procedures we found that the BSSD has implemented only recommendation number one. We again recommend the District consider implementing our other recommendations.

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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 17120

The Honorable Ronald J. Tomalis  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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