

DOWNINGTOWN AREA SCHOOL DISTRICT  
CHESTER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Ms. Jacqueline Fenn, Board President  
Downingtown Area School District  
126 Wallace Avenue  
Downingtown, Pennsylvania 19335

Dear Governor Rendell and Ms. Fenn:

We conducted a performance audit of the Downingtown Area School District (DASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 26, 2007 through August 17, 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, 2007, 2006 and 2005. 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 DASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 29, 2010

cc: **DOWNINGTOWN 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 Downingtown Area School District (DASD). 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 DASD in response to our prior audit recommendations.

Our audit scope covered the period January 26, 2007 through August 17, 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, 2006-07, 2005-06, and 2004-05.

### **District Background**

The DASD encompasses approximately 82 square miles. According to 2005 local census data, it serves a resident population of 63,994. According to District officials, in school year 2007-08 the DASD provided basic educational services to 11,707 pupils through the employment of 862 teachers, 550 full-time and part-time support personnel, and 87 administrators. Lastly, the DASD received more than \$31.8 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the Downingtown Area School District complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. There were no findings or observations.

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

**Observations.** With regard to the status of our prior audit recommendations to the DASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the DASD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 6), and the timeliness of the Memoranda of Understanding updates (see page 9).





## 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 January 26, 2007 through August 17, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06, and 2004-05.

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 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.

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 DASD'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:

- ✓ 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, 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.

DASD 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.

Our audit examined the following:

- Records pertaining to financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2008, we reviewed the DASD's response to DE dated April 15, 2009. 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 Downingtown Area District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Downingtown Area School District (DASD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to unmonitored vendor system access and logical access control weaknesses, and the observation pertained to the Memoranda 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 DASD board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings and observations. As shown below, we found that the DASD did implement recommendations related to the unmonitored vendor system access and logical access control weaknesses and the Memoranda of Understanding not being updated timely.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Unmonitored Vendor System Access and Logical Control Weaknesses</i></u></p> <ol style="list-style-type: none"> <li>1. Generate and review monitoring reports of the vendor and employee activity on the District’s system. Monitoring reports should include the date, time, and reason for access, changes(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and that the data was not improperly altered. The District should also ensure they are maintaining evidence to support this monitoring and review.</li> <li>2. Perform reconciliations between system generated membership and attendance reports</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that DASD used software purchased from an outside vendor for its critical student accounting application (membership and attendance). The software vendor had remote access into the District’s network servers. We determined that there was a risk that unauthorized changes to the District’s data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that DASD implemented our recommendations as follows:</p> <ol style="list-style-type: none"> <li>1. Access controls have been put into place that provides the District the ability to maintain the integrity of District’s internal network from inappropriate access from outside. The manager of information services maintains a list of the individuals who have the authority to access or modify the system. Change management has been instituted whereby changes to the system require approval prior to being completed. Once changes have been implemented the vendor provides updates to the manager of information services.</li> </ol>

<p>and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner.</p> <p>3. 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</p> <p>4. 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.</p> <p>5. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy (AUP).</p> <p>6. Include in the District's AUP provisions for privacy (e.g. monitoring of electronic mail, access to files) and</p>		<p>2. DASD implemented centralized registration in July 2008. This process has standardized practice for the intake and validation of students eligible for enrollment in the District. All membership information is maintained electronically. Membership and attendance records are checked monthly by reconciliations between the building level (actual) and the District level (reported). The reconciled number is reported at monthly board meetings.</p> <p>3. To address operational security concerns in regards to DASD's student information system (SIS) technical support that requires access to the actual SIS data is handled on an "as needed" basis with the supporting vendor. The vendor's technical support is assigned an individual account (with appropriate rights) and the activation of this account is logged for auditing purposes.</p> <p>4. DASD maintains controls over the access to the network and logs the access accordingly.</p> <p>5. DASD does not require the SIS vendor to sign their AUP because the vendor has a signed corporate AUP, and wording in the contract would prove the document redundant. Outside consultants do sign the AUP if provided a DASD network account. DASD does not have an</p>
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<p>authentication (e.g. password security and syntax requirements). Further, the policy should be signed by all employees.</p> <p>7. Allow upgrades/updates to the District’s system only after receipt of written authorization from appropriate District officials.</p> <p>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). 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) and to lock out users after three unsuccessful attempts.</p> <p>9. Keep a listing of all employees with access to the District’s server room.</p>		<p>additional AUP for a vendor but the District does require security, privacy and access agreement within the scope of the contract.</p> <p>6. DASD developed a new AUP and it is currently on file for all employees in the human resource department.</p> <p>7. Change management has been instituted whereby changes to the system require approval prior to being completed. Once changes have been implemented the vendor provides updates to the manager of information services.</p> <p>8. DASD implemented a security policy and system parameter settings to:</p> <ul style="list-style-type: none"> <li>• require all users to change their passwords on a regular basis;</li> <li>• require passwords be at least of eight characters and contain alpha, numeric, and special characters; and</li> <li>• require that passwords do not contain an individual’s name or account name.</li> </ul> <p>9. DASD maintains a list of the nine employees who have keys/access code to the Server Rooms and a log is kept as to the time, date, and reason for access.</p>
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<p><u>II. Observation:</u> <u>Memoranda of</u> <u>Understanding Not</u> <u>Updated Timely</u></p> <ol style="list-style-type: none"><li>1. In consultation with the District's solicitor, review and update the current Memoranda of Understanding (MOU) with local law enforcement agencies.</li><li>2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.</li></ol>	<p><b>Background:</b></p> <p>Our prior audit found that the District had on file properly signed MOUs with local law enforcement agencies. However, they were signed on January 12, 1999, and had not been updated since that date.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that as of May 2009, the DASD updated and re-executed MOUs with all their local law enforcement agencies.</p> <p>Additionally, the MOUs contain a provision to review and re-execute the MOUs every two years.</p>
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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:

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