



**FOX CHAPEL AREA SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

APRIL 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Joel Weinstein, Board President
Fox Chapel Area School District
611 Field Club Road
Pittsburgh, Pennsylvania 15238

Dear Governor Corbett and Mr. Weinstein:

We conducted a performance audit of the Fox Chapel Area School District (FCASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 13, 2009, through June 8, 2012, 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 FCASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

EUGENE A. DEPASQUALE
Auditor General

April 12, 2013

cc: **FOX CHAPEL AREA SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

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

Our audit scope covered the period November 13, 2009, through June 8, 2012, 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 FCASD encompasses approximately 33 square miles. According to 2000 federal census data, it serves a resident population of 29,205. According to District officials, in school year 2009-10 the FCASD provided basic educational services to 4,573 pupils through the employment of 433 teachers, 263 full-time and part-time support personnel, and 26 administrators. Lastly, the FCASD received more than \$12.1 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the FCASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the FCASD resulted in 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 FCASD from an audit we conducted of the 2008-07 and 2007-06 school years, we found the FCASD had taken appropriate corrective action in implementing our recommendations pertaining to Memoranda of Understanding and unmonitored vendor system access and logical access control weaknesses (see page 7).



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 November 13, 2009, through June 8, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2011, through June 8, 2012.

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 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 FCASD'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?

- ✓ Does the District have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers are properly qualified, and do they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District 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?
- ✓ Did the District take 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, 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.

The FCASD’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the FCASD is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District’s internal controls, including any IT controls as they relate to the District’s compliance with applicable state laws, regulations, contracts, grant agreements and administrative

procedures that we consider to be significant within the context of our audit objective. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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, professional employee certification, and financial stability.
- Items such as board meeting minutes, and pupil membership records.

Additionally, we interviewed selected administrators and support personnel associated with the FCASD's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 25, 2010, we reviewed the FCASD's response to PDE dated January 10, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Fox Chapel Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Fox Chapel Area School District (FCASD) for the school years 2007-08 and 2006-07 resulted in one reported finding and one observation. The finding pertained to Memoranda of Understanding that were not updated timely, 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 FCASD to implement our prior recommendations. We analyzed the FCASD board's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and questioned FCASD personnel regarding the prior finding and observation. As shown below, we found that the FCASD did implement recommendations related to the Memoranda of Understanding and to unmonitored vendor system access and logical access control weaknesses.

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

Finding: **Memoranda of Understanding Not Updated Timely**

Finding Summary: Our prior audit found that the Memoranda of Understanding (MOU) between the FCASD and its six local law enforcement agencies had not been updated since July 31, 2007. The provisions of the MOUs required review and re-execution of the MOUs every two years.

Recommendations: Our audit finding recommended that the District:

1. Review, update, and re-execute the MOUs between the District and the six local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status: During our current audit procedures, we found that the District did implement the recommendations. The District re-executed MOUs with its local law enforcement agencies on July 1, 2010.

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

Observation Summary: Our prior audit found that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide evidence that it was adequately monitoring all vendor activity in its system. Further, the District did not have evidence they perform formal, documented reconciliations between manual records and computerized records for membership and attendance.

Recommendations: Our audit observation recommended that the District:

1. Establish separate information technology (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 District's Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (e.g., every 30 days); use passwords that are a minimum length of eight characters; and use passwords that include alpha, numeric, and special characters. The system parameter settings should also log users off the system after a period of inactivity (e.g., 60 minutes maximum); lock out users after three unsuccessful access attempts; and maintain a password history that will prevent the use of a repetitive password (e.g., approximately ten passwords).
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's 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.
4. Allow access to the system only when the vendor needs access to make pre-approved changes/updates of requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
5. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The District should review these reports to determine that the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.
6. Store back-up tapes in a secure, off-site location.
7. To mitigate IT control weaknesses, have compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status: During our current audit procedures, we found that the District did implement all of our recommendations.

Distribution List

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

The Honorable Tom Corbett
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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, 231 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.

