

GREATER LATROBE SCHOOL DISTRICT  
WESTMORELAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2011



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

Dr. David A. Moffa, Board President  
Greater Latrobe School District  
410 Main Street  
Latrobe, Pennsylvania 15650

Dear Governor Corbett and Dr. Moffa:

We conducted a performance audit of the Greater Latrobe School District (GLSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 2, 2008 through December 22, 2010, 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 GLSD 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 GLSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve GLSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the GLSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

October 25, 2011

cc: **GREATER LATROBE 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 Greater Latrobe School District (GLSD). 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 GLSD in response to our prior audit recommendations.

Our audit scope covered the period July 2, 2008 through December 22, 2010, 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 GLSD encompasses approximately 72 square miles. According to 2005 local census data, it serves a resident population of 29,134. According to District officials, in school year 2007-08 the GLSD provided basic educational services to 4,184 pupils through the employment of 270 teachers, 108 full-time and part-time support personnel, and 20 administrators. Lastly, the GLSD received more than \$15.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

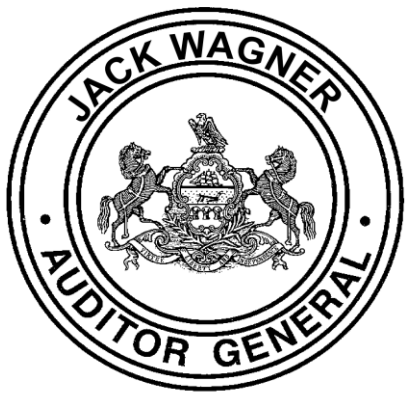
Our audit found that the GLSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

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

We determined that a risk exists that unauthorized changes to the GLSD's data could occur and not be detected because the GLSD was unable to provide supporting evidence it is adequately monitoring vendor activity in its system (see page 6).

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

With regard to the status of our prior audit recommendations to the GLSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the GLSD had taken appropriate corrective action in implementing our recommendations pertaining to errors in reporting the number of nonpublic pupils transported (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 July 2, 2008 through December 22, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through December 22, 2010.

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

*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 GLSD'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?
- ✓ 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, 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, observations and conclusions based on our audit objectives.

GLSD 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2009, we reviewed the GLSD'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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### Observation

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*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 Vendor System Access and Logical Access Control Weaknesses

The Greater Latrobe School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District’s network servers.

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 it is adequately monitoring vendor activity in its system. However, since the District has manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, that risk is mitigated.

Attendance and membership reconciliations are performed between manual records and reports generated from the software application.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedures changes that could reduce the effectiveness of the manual controls.

Unmonitored vendor 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 access to the District’s system:

1. 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 vendor, to change passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful

attempts; and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

2. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
3. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.

## **Recommendations**

The *Greater Latrobe School District* should:

1. 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). 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); lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
2. 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.
3. 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 would also enable the monitoring of vendor changes.

## **Management Response**

Management stated the following:

- Based upon the recommendations provided, the District will implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords every 45 days. Passwords will be a minimum length of eight characters and include alpha, numeric and special characters. We will maintain a password history that will prevent the use of

a repetitive password for the last ten passwords; lock out after three unsuccessful attempts and lock the system after a period of inactivity for 60 minutes.

- Currently, vendors do have unique userIDs and passwords to access the District system. A list of vendor employees with remote access is maintained by the District.
- The District will disable vendor accounts and will enable only for the period of time the vendor requests access. This will enable the District to monitor its changes.

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

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Our prior audit of the Greater Latrobe School District (GLSD) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to errors in reporting the number of nonpublic pupils transported. 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 GLSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the GLSD did implement recommendations related to errors in reporting nonpublic pupils transported.

### **School Years 2005-06 and 2004-05 Auditor General Performance Audit Report**

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**Finding:** **Errors in Reporting the Number of Nonpublic Pupils Transported Resulted in Reimbursement Overpayments of \$21,560**

Finding Summary: Our prior audit of the District's pupil transportation data submitted to DE for the 2005-06 and 2004-05 school years found errors in reporting the number of nonpublic pupils transported, resulting in reimbursement overpayments of \$13,090 for the 2005-06 school year and \$8,470 for the 2004-05 school year.

Recommendations: Our audit finding recommended that the GLSD:

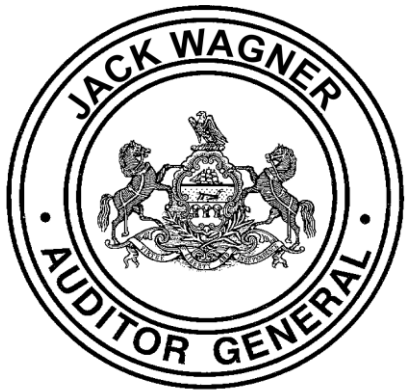
Require District personnel to maintain a separate nonpublic pupil list to ensure accurate enumeration of all nonpublic pupils provided transportation in accordance with DE's definition of nonpublic pupils.

We also recommend that DE:

Adjust the District's future allocations to recover the reimbursement overpayments of \$21,560.

Current Status: During our current audit procedures we found that the GLSD implemented the recommendations. As of December 22, 2010, DE had not adjusted the allocations to the District. We again recommend that DE correct the overpayments of \$21,560.

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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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