

GREENWOOD SCHOOL DISTRICT  
PERRY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2010



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

Ms. Sheri Matter, Board President  
Greenwood School District  
405 East Sunbury Street  
Millerstown, Pennsylvania 17062

Dear Governor Rendell and Ms. Matter:

We conducted a performance audit of the Greenwood School District (GSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 21, 2007 through April 30, 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 GSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 29, 2010

cc: **GREENWOOD 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 Greenwood School District (GSD). 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 GSD in response to our prior audit recommendations.

Our audit scope covered the period September 21, 2007 through April 30, 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 GSD encompasses approximately 99 square miles. According to a 2009 local census, it serves a resident population of 5,400. According to District officials, in school year 2007-08 the GSD provided basic educational services to 880 pupils through the employment of 71 teachers, 38 full-time and part-time support personnel, and 7 administrators. Lastly, the GSD received more than \$5.2 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the GSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. 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 GSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the GSD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 7).





## 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 September 21, 2007 through April 30, 2010, except for the verification of professional employee certification which was performed for the period August 22, 2007 through April 7, 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 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 GSD'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 and conclusions based on our audit objectives.

GSD 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 and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 30, 2008, we performed audit procedures targeting the previously reported matters.

## **Findings and Observations**

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

## Status of Prior Audit Findings and Observations

Our prior audit of the Greenwood School District (GSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported observation. 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 performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the GSD did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u>I. Observation:</u>  <u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> <li>1. Generate monitoring reports (including firewall logs) of the Capital Area Intermediate Unit #15 (CAIU) and employee access and activity on the 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.</li> <li>2. Allow remote access to the system only when the CAIU needs access to make pre-approved</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that GSD used software purchased from CAIU for its critical student accounting applications (membership and attendance). Additionally, the District's entire computer system, including all its data and the above software, was maintained on the CAIU's servers which are physically located at the CAIU. The District had remote access into the CAIU's network servers, with CAIU providing system maintenance and support.</p> <p>We determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was not able to provide supporting evidence that it was adequately monitoring all CAIU activity in its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the following regarding the ten weaknesses:</p> <ol style="list-style-type: none"> <li>1. The District now has a monitoring report which tracks the use of the specific student information software by GSD employees. The reports contain the date, time, and changes that were made.</li> <li>2. Employees at CAIU provide 24/7 support for the specific student information software server and application. They only access the system when necessary. The specific student information software does not allow for turning access on and off. The District has a monitoring report which tracks the use of specific student information software by District employees. The reports contain the date, time,</li> </ol>

<p>changes/updates or requested assistance. This access should be removed when the CAIU has completed its work. This procedure would also enable the monitoring of any CAIU changes.</p> <ol style="list-style-type: none"> <li>3. Encrypt the District's remote connections.</li> <li>4. The contract with the CAIU should contain a non-disclosure agreement for the District's proprietary information and the contract should be reviewed by legal counsel.</li> <li>5. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</li> <li>6. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.</li> <li>7. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.</li> <li>8. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the CAIU sign this policy, or require the CAIU to sign the District's</li> </ol>		<p>and changes that were made.</p> <ol style="list-style-type: none"> <li>3. The new contract agreement with the CAIU for the specific student information software contract, effective July 1, 2010 through June 30, 2015, will include a Secure Sockets Layer security certificate. The certificate will be placed on the server that houses GSD's specific student information software and will be billed to the District outside the contract. The new contract addresses the fact that encryption will be available to secure the remote access.</li> <li>4. A data confidentiality agreement has been included in the contract process for the agreement with CAIU and has been reviewed by the District solicitor. The solicitor found the agreement to be standard and suitable for protecting the District.</li> <li>5. Beginning in 2009-10, all accounts added, changed, or deleted from the specific student information software are tracked and documented in software that tracks addition, deletion or change in userID. Accounts are deleted as soon as the technology director is notified of any change in an employee's status.</li> <li>6. Written authorization is not required; however, all additions, deletions, and</li> </ol>
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<p>Acceptable Use Policy (AUP).</p> <p>9. Include provisions for authentication (password security and syntax requirements) in the District's AUP.</p> <p>10. Implement a security policy and system parameter settings to require all users, including the CAIU, 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 lock out users after three unsuccessful attempts.</p>		<p>changes to userIDs are recorded in the software that tracks addition, deletion or change in userID as of the beginning of the 2009-10 school year.</p> <p>7. At the beginning of each year, the attendance office and technology director set up and verify all the attendance code categories in the specific student information software as well as build the school calendars.</p> <p>The attendance office runs the aggregate membership audit report and average daily membership and average daily attendance (ADM/ADA) quarterly and at the end of the school year to verify ADM/ADA information.</p> <p>The attendance secretary in both buildings runs the absentee report daily to verify all attendance information.</p> <p>The attendance secretary in both buildings follows District procedures for enrolling new students in the specific student information software.</p> <p>8. All CAIU employees who have access to the District's specific student information software server/data will begin signing the District's AUP when the new contract begins in July of 2010.</p> <p>9. The District is currently re-writing the AUP as part of its strategic plan</p>
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		<p>and is reviewing the password security and syntax requirements. The revised AUP will be in place for the beginning of the 2010-11 school year. The District feels their password policy is adequate, as they've had no problems in the past involving passwords. They also feel that it is impossible to enforce a password policy in such a small district because they do not have helpdesk personnel who are always available to help users who are locked out of their accounts.</p> <p>10. The District investigated the possibility of requiring users to change their password on a regular basis, but feel it is not possible in such a small district as there aren't sufficient helpdesk personnel available to help users when they are locked out of their accounts or forget their passwords.</p> <p>The District has resolved 7 of the 10 issues as of April 28, 2010. As for issues 8 and 9, corrective action is to be implemented in July 2010. The District has investigated issue #10 regarding the changing of passwords and feels the District does not have enough personnel to address the additional problems that would arise as a result of changing passwords on a more regular basis.</p>
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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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