

MOON AREA SCHOOL DISTRICT  
ALLEGHENY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2011



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

Ms. Sandra McCurdy, Board President  
Moon Area School District  
8353 University Boulevard  
Moon Township, Pennsylvania 15108

Dear Governor Corbett and Ms. McCurdy:

We conducted a performance audit of the Moon Area School District (MASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period September 25, 2008 through March 25, 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, 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 MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report.

Our audit finding and recommendations have been discussed with MASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

December 22, 2011

cc: **MOON 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 Moon Area School District (MASD). 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 MASD in response to our prior audit recommendations.

Our audit scope covered the period September 25, 2008 through March 25, 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 2007-08 and 2006-07.

### **District Background**

The MASD encompasses approximately 23 square miles. According to 2000 federal census data, it serves a resident population of 24,604. According to District officials, in school year 2007-08 the MASD provided basic educational services to 3,705 pupils through the employment of 304 teachers, 173 full-time and part-time support personnel, and 18 administrators. Lastly, the MASD received more than \$10.9 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the MASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

#### **Finding: Unmonitored Vendor System Access and Logical Access Control**

**Weaknesses.** We determined that a risk exists that unauthorized changes to the MASD's data could occur and not be detected because the MASD was unable to provide supporting evidence that it is adequately monitoring all 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 MASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the MASD had taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding not being updated timely (see page 10).





## 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 25, 2008 through March 25, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through February 28, 2011.

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 MASD'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.

MASD's 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 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 MASD's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 13, 2009, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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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 Moon Area 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 monitoring all remote activity in its system. Further, the District does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the District does not have adequate manual compensating controls in place to verify the integrity and the membership and attendance information in its data base, the risk of unauthorized risk is increased.

Unmonitored 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 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 does not require written authorization before, adding, deleting, or changing a userID.
2. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
3. 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; and log off users after a period of inactivity.

4. The vendor uses a group ID rather than requiring that each employee has a unique userID and password.
5. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
6. The District does not have any compensating controls that would mitigate the information technology (IT) weaknesses or alert the District to unauthorized changes to the membership database i.e., reconciliations to manual records, analysis of membership trends, data entry procedures and review, etc.

## **Recommendations**

The *Moon Area School District* should:

1. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. 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 log off users after a period of inactivity (i.e., 60 minutes maximum).
4. 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.

5. Allow access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. The access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
6. To mitigate IT control weaknesses, the District should have manual compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

**Management Response**

Management stated the following:

All changes to process and policy described herein will be enacted on or before the beginning of [fiscal year] FY 2011-2012.

While the district currently requires the permission of the personnel department in order to create new accounts, this process has not been formalized.

The district shall create a formal process for the creation, deletion, and modification of accounts. This process shall detail the requirements for password strength, password history, and password change frequency.

The change frequency will not be shorter than one calendar year, as our network security engineer states that forcing password changes results in users writing their passwords down, which is a severe security risk.

As we are dubious to the value of forcing logoff after a period of inactivity, and in any case cannot implement it with out of the box Microsoft tools, we will instead enforce system locking after 30 minutes and a restart after updates are installed at night.

We will require vendors with system access to provide a list of users who will have access to our systems. We will require such vendors to have unique accounts for each user. We will also require such vendors to contact the Information Technology and/or the Instructional Technology departments for system access. Such access shall be removed when the issue requiring it has been resolved.

The district already keeps audit logs for additions, deletions, and changes to user accounts. To comply with the recommendation for the addition of “compensating controls,” the district will require tangible examples of such controls.

**Auditor Conclusion**

The recommended compensating controls refer to formal documented reconciliations between manual records and computerized records for membership and attendance, as well as analysis of membership trends and data entry procedures.

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

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Our prior audit of the Moon Area School District (MASD) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to the Memorandum 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 performed audit procedures and questioned District personnel regarding the prior observation. As shown below, we found that the District did implement recommendations related to the observation.

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

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<b>Observation:</b>	<b>Memorandum of Understanding Not Updated Timely</b>
<u>Observation Summary:</u>	Our prior audit found that the Memorandum of Understanding (MOU) between the District and the local law enforcement agency was signed September 15, 1998, but had never been updated.
<u>Recommendations:</u>	Our audit observation recommended that the MASD: <ol style="list-style-type: none"><li>1. In consultation with the District's solicitor, review, update and re-execute the MOU between the District and the local law enforcement agency.</li><li>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</li></ol>
<u>Current Status:</u>	During our current audit procedures we found that the MASD did implement our recommendation. The MOU between the District and the local law enforcement agency was re-executed April 13, 2009.



## **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  
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