

MORRISVILLE BOROUGH SCHOOL DISTRICT  
BUCKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. William R. Hellmann, Board President  
Morrisville Borough School District  
550 West Palmer Street  
Morrisville, Pennsylvania 19067

Dear Governor Rendell and Mr. Hellmann:

We conducted a performance audit of the Morrisville Borough School District (MBSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 30, 2006 through June 8, 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 MBSD 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 MBSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MBSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MBSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

*/s/*

**JACK WAGNER**  
Auditor General

January 21, 2010

cc: **MORRISVILLE BOROUGH SCHOOL DISTRICT** Board Members

## **Table of Contents**

---

---

	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	5
Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses .....	5
Status of Prior Audit Findings and Observations .....	9
Distribution List .....	11



## **Executive Summary**

---

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Morrisville Borough School District (MBSD). 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 MBSD in response to our prior audit recommendations.

Our audit scope covered the period August 30, 2006 through June 8, 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**

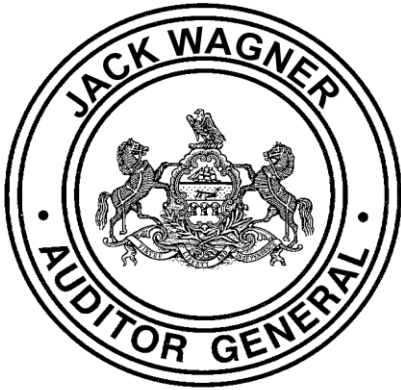
The MBSD encompasses approximately 2 square miles. According to 2000 federal census data, it serves a resident population of 10,023. According to District officials, in school year 2007-08 the MBSD provided basic educational services to 877 pupils through the employment of 84 teachers, 50 full-time and part-time support personnel, and 6 administrators. Lastly, the MBSD received more than \$5.1 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the MBSD 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 MBSD's data could occur and not be detected because the MBSD was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 5).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the MBSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the MBSD did not have any prior findings or observations.





## 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 August 30, 2006 through June 8, 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 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

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 MBSD'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:

- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the district?
- ✓ 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 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.

MBSD 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 MBSD operations.

## Findings and Observations

---

---

### Observation



*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 Morrisville Borough School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District’s entire computer system, including all its data and the above software, are maintained on the vendor’s servers that are physically located at the vendor. The District has remote access into the vendor’s network servers, with the vendor providing system maintenance and support.

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 all 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 Student Accounting System.

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.

Best practices in information technology (IT) security include: limiting access to authorized users; ensuring individual accountability for actions; managing vendor services; monitoring the system to ensure integrity of key databases and applications; regulating changes to software; restricting physical access; implementing and maintaining minimum environmental controls; and planning for contingencies.

During our review, we found the District had the following weaknesses over vendor access to the District's system:

1. The contract with the vendor did not contain a non-disclosure agreement for the District's proprietary information
2. The District's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
3. Employees have not signed the IT security policy.
4. The District does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the District's Acceptable Use Policy.
5. The District was unable to provide evidence that it requires written authorization for adding, deleting, or changing a userID.
6. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
7. 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 their passwords every 30 days.
8. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
9. The District does not require written authorization prior to the updating/upgrading of key applications.
10. The District does not have formal policies in place to control emergency changes to systems or programs.
11. The District does not have current policies or procedures in place to analyze the impact of proposed program changes in relation to other business-critical functions.

**Recommendations**

The *Morrisville School District* should:

1. Include in its contract with the vendor a non-disclosure agreement for the District's proprietary information.
2. Include in the District's Acceptable Use Policy provisions for authentication (password security and syntax requirements).
3. Require all employees to sign the Acceptable Use Policy.
4. Establish separate IT 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.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. 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).
8. Allow access to its 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.
9. Allow upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.
10. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.

11. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

**Management Response**

Management chose not to respond at the time of the audit.

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

---

---

**O**ur prior audit of the Morrisville School District for the 2003-04 and 2002-03 resulted in no findings or observations.





## **Distribution List**

---

---

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 Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

Senator Andrew Dinniman  
Democratic Chair  
Senate Education Committee  
183 Main Capitol Building  
Harrisburg, PA 17120

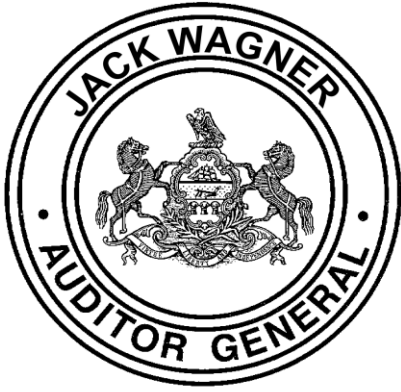
Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

Representative Paul Clymer  
Republican Chair  
House Education Committee  
216 Ryan Office Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055



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, 318 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](http://www.auditorgen.state.pa.us).

