

NESHANNOCK TOWNSHIP SCHOOL DISTRICT  
LAWRENCE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010



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

Mrs. Cheryl Kimmel, Board President  
Neshannock Township School District  
3834 Mitchell Road  
New Castle, Pennsylvania 16105

Dear Governor Rendell and Mrs. Kimmel:

We conducted a performance audit of the Neshannock Township School District (NTSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 27, 2009 through March 18, 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, as they were the most recent reimbursements subject to audit. 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 NTSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

September 8, 2010

cc: **NESHANNOCK TOWNSHIP 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 Neshannock Township School District (NTSD). 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 NTSD in response to our prior audit recommendations.

Our audit scope covered the period February 27, 2009 through March 18, 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 NTSD encompasses approximately 18 square miles. According to 2000 federal census data, it serves a resident population of 9,216. According to District officials, in school year 2007-08 the NTSD provided basic educational services to 1,373 pupils through the employment of 86 teachers, 56 full-time and part-time support personnel, and 6 administrators. Lastly, the NTSD received more than \$4.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the NTSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the NTSD resulted in no findings or observations.

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

**Observations.** With regard to the status of our prior audit recommendations to the NTSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the NTSD had taken appropriate corrective action in implementing our recommendations pertaining to errors in pupil transportation (see page 7). We also found the NTSD had implemented our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8).





## 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 February 27, 2009 through March 18, 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 NTSD'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.

NTSD 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.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 17, 2009, we reviewed the NTSD's response to DE dated November 12, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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

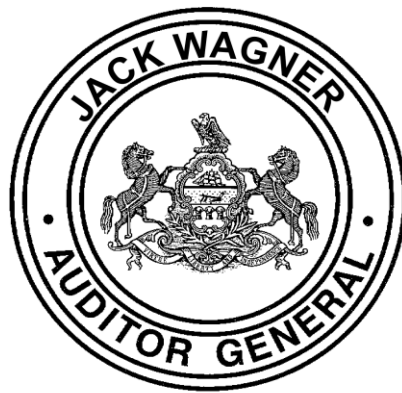
## Status of Prior Audit Findings and Observations

Our prior audit of the Neshannock Township School District (NTSD) for the school years 2005-06 and 2004-05 resulted in one reported finding and one observation. The finding pertained to errors in pupil transportation 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 District to implement our prior recommendations. We analyzed the NTSD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the NTSD did implement recommendations related to errors in pupil transportation, and did not implement all recommendations related to unmonitored vendor system access and logical control weaknesses.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Errors in Pupil Transportation Reports Resulted in Underpayments of \$14,845</i></u></p> <ol style="list-style-type: none"> <li>1. Accurately report data elements used in the calculation of pupil transportation reimbursement.</li> <li>2. Review subsequent school years’ transportation reports submitted to DE for accuracy and resubmit accordingly.</li> <li>3. DE should adjust the District’s future allocations to correct the transportation subsidy underpayments of \$14,845.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of pupil transportation data for the 2005-06 and 2004-05 school years found clerical errors in daily mileage reported to DE. These errors resulted in underpayments of \$7,654 and \$7,191 in transportation subsidy for the 2005-06 and 2004-05 school years, respectively.</p>	<p><b>Current Status:</b></p> <p>Our current audit of transportation data for the 2007-08 school year found no inaccuracies.</p> <p>We concluded the District had taken appropriate corrective action for this finding.</p> <p>As of March 18, 2010, DE had not yet adjusted the District’s allocations to correct the underpayments of \$14,845; we again recommend that they do so.</p>

<p><b><u>II. Observation:</u></b>  <b><u>Unmonitored Vendor</u></b>  <b><u>System Access and Logical</u></b>  <b><u>Control Weaknesses</u></b></p> <ol style="list-style-type: none"> <li>1. Establish separate information technology 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.</li> <li>2. 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).</li> <li>3. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight characters.</li> <li>4. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that include alpha, numeric and special characters.</li> <li>5. Implement a security policy and system parameter settings to maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).</li> <li>6. Require the vendor to assign unique userIDs</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that the District uses software purchased from an outside vendor for its critical student accounting application (membership and attendance). The software vendor has remote access into the District's network servers.</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 unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p> <p>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.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented our recommendations. Therefore we conclude the District did take appropriate corrective action.</p>
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<p>and passwords to vendor employees authorized to access the District's system. Further, obtain a list of vendor employees with remote access to its data and ensure the changes to the data are made only by authorized vendor representatives.</p> <p>7. 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.</p> <p>8. Allow upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.</p>		
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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:

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