

PENN TRAFFORD SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Bruce Newell, Board President
Penn Trafford School District
1006 Harrison City-Export Road
P.O. Box 530
Harrison City, Pennsylvania 15636

Dear Governor Rendell and Mr. Newell:

We conducted a performance audit of the Penn Trafford School District (PTSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 28, 2008 through August 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 PTSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

December 27, 2010

cc: **PENN TRAFFORD SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Penn Trafford School District (PTSD). 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 PTSD in response to our prior audit recommendations.

Our audit scope covered the period May 28, 2008 through August 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 PTSD encompasses approximately 27 square miles. According to 2000 federal census data, it serves a resident population of 25,070. According to District officials, in school year 2007-08 the PTSD provided basic educational services to 4,681 pupils through the employment of 271 teachers, 91 full-time and part-time support personnel, and 14 administrators. Lastly, the PTSD received more than \$19.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

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



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 May 28, 2008 through August 30, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through June 30, 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 PTSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security

and retirement), did it follow applicable laws and procedures?

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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

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.

PTSD 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

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.

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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 26, 2009, we reviewed the PTSD's response to DE dated April 13, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of Penn Trafford School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Penn Trafford School District (PTSD) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to unmonitored vendor system access and logical access control weakness. 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 PTSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the PTSD did implement recommendations related to unmonitored vendor system access and logical access control weakness.

<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. Observation:</u> <u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Review monitoring reports of vendor activity on the District’s system. The District should review these reports to determine that the access was appropriate and the data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review. 2. 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 own Acceptable Use Policy. 3. Require the vendor to assign unique userID’s and passwords to vendor 	<p>Background:</p> <p>Our prior audit found the PTSD 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.</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 vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that:</p> <ul style="list-style-type: none"> • Two people serve as administrators providing remote access to the vendor over the phone. As soon as activity is completed, the administrators remove remote access. A report can be generated to indicate to the District if information was altered. • The vendor has to sign the District’s Acceptable Use Policy at the beginning of each year. • The technology department requires passwords to be changed every 60 days, and a password is required after five minutes of being idle to reaccess the computer. • The vendor is required to assign a case number at the start of each session when remote access is required.

<p>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 an authorized vendor representative.</p> <p>4. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (e.g., 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 repetitive password (e.g., last ten passwords) and log users off the system after a period of inactivity (e.g., 60 minutes maximum).</p>		<p>Based on our current audit, we determined that the District has taken corrective action.</p>
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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, and the following:

The Honorable Edward G. Rendell
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