

PERKIOMEN VALLEY SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Ms. Lori Snyder, Board President
Perkiomen Valley School District
Three Iron Bridge Drive
Collegeville, Pennsylvania 19426

Dear Governor Rendell and Ms. Snyder:

We conducted a performance audit of the Perkiomen Valley School District (PVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 4, 2007 through July 29, 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 PVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 29, 2010

cc: **PERKIOMEN VALLEY SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	5
Status of Prior Audit Findings and Observations	6
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Perkiomen Valley School District (PVSD). 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 PVSD in response to our prior audit recommendations.

Our audit scope covered the period May 4, 2007 through July 29, 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 PVSD encompasses approximately 30 square miles. According to 2000 federal census data, it serves a resident population of 31,339. According to District officials, in school year 2007-08 the PVSD provided basic educational services to 5,635 pupils through the employment of 415 teachers, 295 full-time and part-time support personnel, and 26 administrators. Lastly, the PVSD received more than \$14.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the PVSD 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 PVSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the PVSD had partially implemented our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 6) and had taken appropriate corrective action in implementing our recommendations pertaining to the Memorandum of Understanding with the Pennsylvania State Police (see page 8).



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 4, 2007 through July 29, 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 (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 PVSD'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:

- ✓ 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 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.

PVSD 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 records pertaining to financial stability and items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2008, we reviewed the PVSD's response to DE dated June 17, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

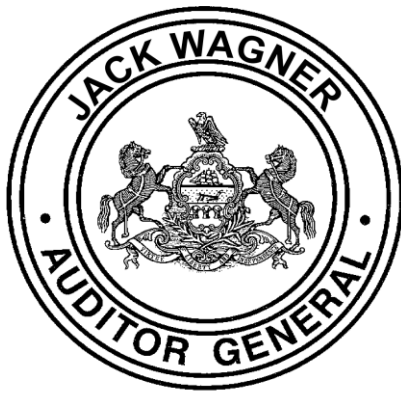
Our prior audit of the Perkiomen Valley School District (PVSD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to unmonitored vendor system access and logical access control weaknesses, and the observation pertained to the failure to update the Memorandum of Understanding. 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 PVSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the PVSD partially implemented our recommendations related to the finding regarding unmonitored vendor system access and logical access control weaknesses, and did implement our recommendations related to the Memorandum of Understanding.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p>1. I. Finding: Unmonitored Vendor System Access and Logical Access Control Weaknesses</p> <p>2. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on the District’s 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.</p>	<p>Background:</p> <p>Our prior audit of District records found 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 evidence that it was adequately monitoring all vendor activity in its system. Further, the District did not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the District did not have adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes increased.</p>	<p>Current Status:</p> <p>Our current audit found that the District:</p> <ol style="list-style-type: none"> 1. Now generates monitoring reports of employee remote access and activity on its system. However, the District has not yet implemented a system to generate monitoring reports of the vendor remote access and activity on its system. 2. Implemented a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis, to use passwords that are a minimum length of eight characters that meet complexity requirements, maintain a password history, lock out users after several unsuccessful attempts and log users off the system after a period

<p>3. Maintain evidence that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records to ensure that any unauthorized changes within the system would be detected in a timely manner.</p> <p>4. Require the vendor to assign unique userIDs and passwords to vendor 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 authorized vendor representatives.</p> <p>5. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>6. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.</p> <p>7. Establish separate information technology (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.</p>		<p>of inactivity.</p> <p>3. Maintains a listing of all employees with access to the District’s server room.</p> <p>We found that the District is still in the process of implementing our other recommendations. We reiterate that the District should:</p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor remote access and activity on its system. 2. Maintain evidence that it performs reconciliations between system generated membership and attendance reports and manually kept membership and attendance records. 3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District’s system. Further, the District should obtain a list of vendor employees with remote access to its data. 4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner. 5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
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<p>8. Include in the District's Acceptable Use Policy provisions for authentication (e.g., password security and syntax requirements).</p> <p>9. 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 maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p> <p>10. Keep a listing of all employees with access to the District's server room.</p>		<p>6. 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.</p> <p>7. Include in the District's Acceptable Use Policy provisions for authentication (e.g., password security and syntax requirements).</p>
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<p><u>II. Observation:</u> <u>Memorandum of Understanding Not Updated Timely</u></p> <ol style="list-style-type: none">1. Review, update and re-execute the Memorandum of Understanding (MOU) between the District and the Pennsylvania State Police.2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.	<p>Background:</p> <p>Our prior audit of the District's records found that the MOU between the District and the Pennsylvania State Police was signed July 30, 1998, and had never been updated.</p>	<p>Current Status:</p> <p>Our current audit found that the MOU was re-executed and signed September 4, 2007. Additionally, the current MOU contains a provision that requires the MOU to be reviewed and re-executed every two years.</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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