

PINE-RICHLAND SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2011

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

Mr. Stephen Hawbaker, Board President
Pine-Richland School District
702 Warrendale Road
Gibsonia, Pennsylvania 15044

Dear Governor Corbett and Mr. Hawbaker:

We conducted a performance audit of the Pine-Richland School District (PRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 6, 2008 through August 20, 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 PRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the one finding noted in this report. In addition, 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 finding, observation and recommendations have been discussed with PRSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve PRSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the PRSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

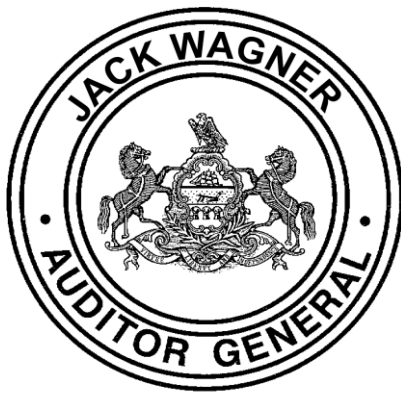
JACK WAGNER
Auditor General

January 24, 2011

cc: **PINE-RICHLAND SCHOOL DISTRICT** Board Members

Table of Contents

| | Page |
|---|------|
| Executive Summary | 1 |
| Audit Scope, Objectives, and Methodology | 3 |
| Findings and Observations | 6 |
| Finding – Certification Deficiencies | 6 |
| Observation – Logical Access Control Weaknesses | 8 |
| Status of Prior Audit Findings and Observations | 10 |
| Distribution List | 11 |



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Pine-Richland School District (PRSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period June 6, 2008 through August 20, 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 PRSD encompasses approximately 31 square miles. According to 2000 federal census data it serves a resident population of 16,914. According to District officials, in school year 2007-08 the PRSD provided basic educational services to 4,319 pupils through the employment of 325 teachers, 73 full-time and part-time support personnel, and 25 administrators. Lastly, the PRSD received more than \$10.3 million in state funding in school year 2007-08.

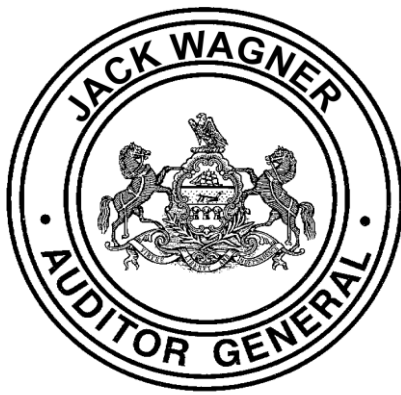
Audit Conclusion and Results

Our audit found that the PRSD 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. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Certification Deficiencies. Our review of professional employees' certification found that two elementary teachers may have been assigned to positions for which their provisional certificate may have expired (see page 6).

Observation: Logical Access Control Weaknesses. We determined that a risk exists that unauthorized changes to PRSD's data could occur and not be detected (see page 8).

Status of Prior Audit Findings and Observations. Our prior audit of the PRSD resulted in no 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 June 6, 2008 through August 20, 2010, except for the verification of professional employee certification which was performed for the period April 8, 2008 through July 2, 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 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 PRSD'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?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ 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?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?

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.

PRSD 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.
- Board meeting minutes

Additionally, we interviewed selected administrators and support personnel associated with PRSD's operations.

Findings and Observations

Finding

Criteria relevant to this finding:

24 P.S. § 1202 of the Public School Code (PSC) provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

24 P.S. § 2518 of the PSC provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public schools in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Certification Deficiencies

Our review of professional employees' certification for the period April 8, 2008 through July 2, 2010, found that two elementary teachers were assigned to positions during the 2009-10 school year for which their provisional certificates had expired.

The District's failure to adhere to the Department of Education (DE) guidelines and to monitor the temporary certificates of all professional employees caused the lapse of these two certificates.

Information pertaining to the certificates was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), DE, for its review. BSLTQ subsequently determined the teachers' certificates had lapsed. The District will be subject to a subsidy forfeiture of \$6,176 for the 2009-10 school year.

Recommendations

The *Pine Richland School District* should:

Put procedures in place to ensure that all professional employees obtain permanent certification before provisional certificates expires.

The *Department of Education* should:

Adjust the District's allocations to recover the subsidy forfeiture of \$6,176.

Management Response

Management provided a response indicating disagreement with the finding, but providing no further comment.

Auditor Conclusion

As noted in the body of the finding, BSLTQ confirmed that the two certificates had expired. Any further disagreement on the part of the District must be addressed to DE.

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.

Logical Access Control Weaknesses

The Pine Richland 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. However, since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance data in its database, that risk is mitigated. Attendance and membership reconciliations are performed between manual records and reports generated from the Student Accounting System.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedural changes that could reduce the effectiveness of the manual controls. 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 the 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 system:

1. We noted that the District’s system parameter settings do not require all users, including the vendor, to change their passwords every 30 days, do not require all users, including the vendor, to use passwords that are a minimum length of eight characters, and do not require all users, including the vendor to use passwords that include alpha, numeric and special characters.
2. We noted that the District’s system parameter settings do not maintain a password history to prevent the use of a repetitive password (e. g., approximately last ten passwords).

Recommendations

The *Pine Richland School District* should:

1. 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), to use passwords that are a minimum length of eight characters, and to use passwords that include alpha, numeric and special characters.
2. Implement a security policy and system parameter settings to maintain a password history that will prevent the use of a repetitive password (e.g., last ten passwords).

Management Response

Management provided a response indicating agreement with the observation and making no further comment.

Status of Prior Audit Findings and Observations

Our prior audit of the Pine-Richland School District resulted in no findings or observations for the prior audit period.

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:

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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.

