

QUAKER VALLEY SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

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

Mr. Jack Norris, Board President
Quaker Valley School District
203 Graham Street
Sewickley, Pennsylvania 15143

Dear Governor Rendell and Mr. Norris:

We conducted a performance audit of the Quaker Valley School District (QVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 29, 2007 through December 18, 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 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 QVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/
JACK WAGNER
Auditor General

September 8, 2010

cc: **QUAKER VALLEY 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 Quaker Valley School District (QVSD). 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 QVSD in response to our prior audit recommendations.

Our audit scope covered the period June 29, 2007 through December 18, 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 and 2006-07.

District Background

The QVSD encompasses approximately 25 square miles. According to 2000 federal census data, it serves a resident population of 13,366. According to District officials, in school year 2007-08 the QVSD provided basic educational services to 1,915 pupils through the employment of 159 teachers, 132 full-time and part-time support personnel, and 17 administrators. Lastly, the QVSD received more than \$4.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the QVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the QVSD 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 QVSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the QVSD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor access (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 June 29, 2007 through December 18, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2007 through September 1, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2006-07 and 2007-08.

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 QVSD'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 provision?
- ✓ 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.

QVSD 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes, tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 28, 2008, we reviewed the QVSD's response to DE dated April 28, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Quaker Valley School District (QVSD) 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 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 QVSD 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 QVSD implemented recommendations related to unmonitored vendor system access.

<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. Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports of the vendor and employee remote access and activity on the District’s system. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District’s system. 3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner. 4. Allow upgrades/updates to the District’s system only after receipt of written authorization from appropriate District officials. 5. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign the 	<p>Background:</p> <p>Our prior audit found that the vendor for software purchased for the District’s critical student accounting applications (membership and attendance) has remote access to the District’s network services.</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 monitoring all vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that remote vendor access is disabled until access is requested by the District. The manager of student information systems monitors activity to the server.</p> <p>We also found that the District created an employee move/add/change form, and that the District is working to formalize the upgrade/update authorization process.</p> <p>The District now has policies and procedures in place, and is working to strengthen password settings during its next upgrade.</p> <p>Finally, we found that the vendor contacts the District for access into the server and a unique access code is given to the vendor.</p> <p>Based upon our review, we concluded that the District has taken steps to address each of the weaknesses detailed in the observation.</p>

<p>policy, or require the vendor to sign the District's Acceptable Use Policy (AUP).</p> <p>6. Include in the District's AUP provisions for authentication (e.g., password security and syntax requirements).</p> <p>7. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis.</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:

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