

RIDGWAY AREA SCHOOL DISTRICT
ELK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FEBRUARY 2010

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

Mr. Eugene Pierce, Board President
Ridgway Area School District
P.O. Box 447
Ridgway, Pennsylvania 15853

Dear Governor Rendell and Mr. Pierce:

We conducted a performance audit of the Ridgway Area School District (RASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 8, 2008 through October 16, 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 RASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the RASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

February 26, 2010

cc: **RIDGWAY AREA 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 Ridgway Area School District (RASD). 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 RASD in response to our prior audit recommendations.

Our audit scope covered the period February 8, 2008 through October 16, 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 RASD encompasses approximately 181 square miles. According to 2000 federal census data, it serves a resident population of 7,762. According to District officials, in school year 2007-08 the RASD provided basic educational services to 1,013 pupils through the employment of 86 teachers, 50 full-time and part-time support personnel, and 7 administrators. Lastly, the RASD received more than \$7 million in state funding in school year 2007-08.

Audit Conclusion and Results

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

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the RASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the RASD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (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.

February 8, 2008 through October 16, 2009, except for the verification of professional employee certification which was performed for the period November 7, 2007 through August 5, 2009.

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 RASD'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?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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?
- ✓ 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.

RASD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 3, 2009, we reviewed the RASD's response to DE dated June 9, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Ridgway Area School District (RASD) 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 RASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the RASD did implement recommendations related to unmonitored vendor system access and logical access 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. Observation:</i></u> <u><i>Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on their 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. 2. Only allow access to their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be 	<p>Background:</p> <p>Our prior audit found that the District uses software purchased from an outside vendor for its critical student accounting applications. The software vendor has remote access into the District’s network servers.</p> <p>Based on our procedures, we determined a risk exists 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 they are adequately monitoring vendor activity in their system. However, since the District has adequate manual compensating controls in place to verify the integrity of the student accounting database, that risk is mitigated.</p> <p>The District has several weaknesses over vendor access to the District’s system.</p>	<p>Current Status:</p> <p>Our current audit found the following:</p> <ol style="list-style-type: none"> 1. The District now generates monitoring reports of the vendor and employee remote access and activity on their system. 2. The vendor requests access to the District system via e-mail to the tech coordinator. 3. Storage of back-up tapes is in a secure, off-site location. 4. The District and the vendor have a signed Software Maintenance Agreement which addresses vendor access of the District system. 5. District has password requirements and an Acceptable Use Policy, (signed by teachers, etc), which addresses passwords.

<p>removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.</p> <p>3. Store back-up tapes in a secure, off-site location.</p> <p>4. Establish separate information technology 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>5. Ensure that the District's Acceptable Use Policy includes provisions for authentication. (e.g., password syntax requirements). Further, employees should be required to sign this policy.</p> <p>6. Only make upgrades/updates to the District's system after receipt of written authorization from appropriate District officials.</p> <p>7. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.</p> <p>8. Implement a security policy and system parameter setting to require all users, including the vendor, to change their passwords</p>		<p>6. The vendor e-mails the District tech coordinator and requests access to the District system and provides release notes describing changes.</p> <p>7. Policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions is non-applicable since the District only utilizes the software for child accounting, (on an isolated server), and all other business functions are separate.</p> <p>8. The District has implemented password requirements and maintains a password history.</p> <p>9. The District has a fire detector directly outside the computer room, a fire extinguisher and a temperature-controlled air conditioner unit in the room.</p> <p>Based on our current audit, we concluded the District did take corrective action pertaining to this observation.</p>
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<p>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) and lockout users after three unsuccessful attempts.</p> <p>9. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer and to ensure warranty coverage. Specifically, the District should install fire detectors in the computer room.</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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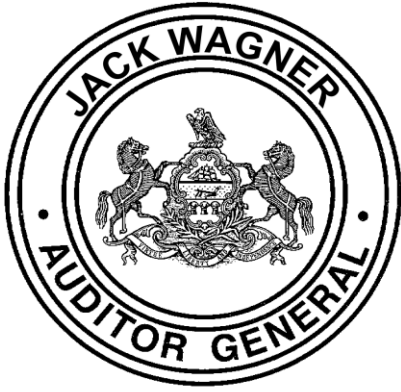
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