

RINGGOLD SCHOOL DISTRICT  
WASHINGTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

APRIL 2011



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

Mr. William C. Stein, Jr., Board President  
Ringgold School District  
400 Main Street  
New Eagle, Pennsylvania 15067

Dear Governor Corbett and Mr. Stein:

We conducted a performance audit of the Ringgold School District (RSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 16, 2008 through September 17, 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 RSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

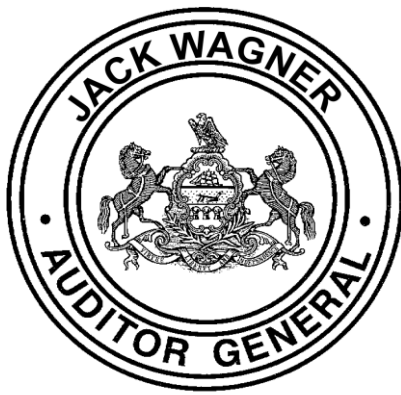
Sincerely,

/s/

JACK WAGNER  
Auditor General

April 13, 2011

cc: **RINGGOLD SCHOOL DISTRICT** Board Members

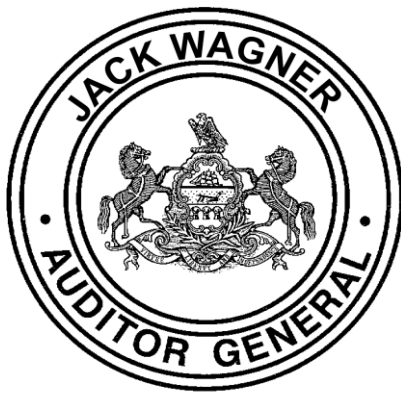


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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period May 16, 2008 through September 17, 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**

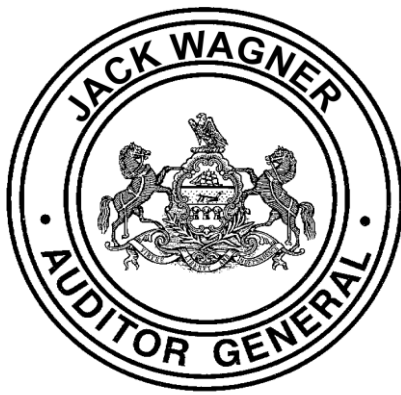
The RSD encompasses approximately 58 square miles. According to 2000 federal census data, it serves a resident population of 26,933. According to District officials, in school year 2007-08 the RSD provided basic educational services to 3,290 pupils through the employment of 249 teachers, 176 full-time and part-time support personnel, and 19 administrators. Lastly, the RSD received more than \$18.2 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the RSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the RSD 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 RSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the RSD 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

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### 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 16, 2008 through September 17, 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 RSD'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?

- ✓ 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 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

*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.

RSD 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.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2009, we reviewed the RSD's response to DE dated November 18, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Ringgold School District resulted in no findings or observations.

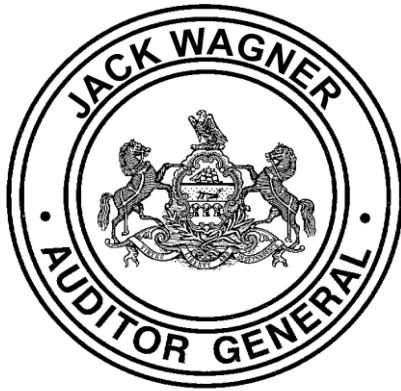
## Status of Prior Audit Findings and Observations

Our prior audit of the Ringgold School District (RSD) 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 RSD 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 RSD 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: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> <li>1. Have legal counsel review the contract with the vendor.</li> <li>2. Include in the District’s Acceptable Use policy provisions for privacy (e.g., monitoring of electronic mail, access of files.)</li> <li>3. Include in the District’s Acceptable Use Policy provisions for authentication (password security and syntax requirements).</li> <li>4. Establish separate information technology (IT) 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 Acceptable Use Policy.</li> <li>5. Develop policies and procedures to require written authorization when adding or changing a userID.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found the RSD 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 unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>In 2009 the District changed software vendors for its critical student accounting applications. Our current review of the District’s critical applications found the following:</p> <p>Recommendations 1, 2, 3 and 4 have been implemented.</p> <p>Appropriate District personnel will begin to maintain the documentation addressed in recommendations 5 and 6.</p> <p>Recommendations 7 and 8 have been addressed.</p> <p>The new software vendor has appropriately addressed recommendation 9 and the District does have a list of authorized vendor representatives.</p> <p>Recommendation 10 still needs to be addressed; however, the District has begun generating monitoring reports of vendor access and activity in the system to compensate for the vendor having unlimited access. This</p>

<p>6. Maintain proper documentation to evidence that terminated employees were removed in a timely manner.</p> <p>7. Adopt system parameters requiring all users to log off the system after a period of inactivity (i.e., 60 minutes maximum).</p> <p>8. Develop and maintain a list of users with “Change” access to membership/attendance data.</p> <p>9. 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>10. Allow access only when the vendor needs to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed the monitoring of vendor changes.</p> <p>11. Generate monitoring reports of vendor and employee access and activity in the system. Monitoring reports should include the date, time and reason for access, changes made, and who made the changes. These reports should be reviewed to determine access was appropriate and that data was not improperly altered. Evidence should be maintained to support this monitoring and review.</p>		<p>also addresses recommendation 11.</p> <p>Recommendation 12 has been appropriately addressed.</p> <p>Recommendations 13, 14, and 15 are the responsibility of the new software vendor and have been appropriately addressed.</p> <p>Recommendation 16 has been appropriately addressed.</p> <p>We concluded that the District did take appropriate corrective action to address the observation.</p>
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<p>12. Encrypt its remote connections. In addition, documentation should be provided, e.g. screen shots, that evidence the remote access software security features are enabled.</p> <p>13. Allow the vendor to make upgrades to the District system only after receipt of written authorization from appropriate District officials.</p> <p>14. Establish a process for raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.</p> <p>15. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.</p> <p>16. To mitigate IT control weaknesses, institute compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.</p>		
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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The Honorable Robert M. McCord  
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Harrisburg, PA 17120

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