

ROSE TREE MEDIA SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2011

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

Mr. John Hanna, Board President
Rose Tree Media School District
308 North Olive Street
Media, Pennsylvania 19063

Dear Governor Rendell and Mr. Hanna:

We conducted a performance audit of the Rose Tree Media School District (RTMSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 14, 2007 through July 16, 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 RTMSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance reported as observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit observation and recommendations have been discussed with RTMSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve RTMSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the RTMSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 4, 2011

cc: **ROSE TREE MEDIA 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 Rose Tree Media School District (RTMSD). 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 RTMSD in response to our prior audit recommendations.

Our audit scope covered the period September 14, 2007 through July 16, 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 RTMSD encompasses approximately 30 square miles. According to 2008 local census data, it serves a resident population of 37,327. According to District officials, in school year 2007-08 the RTMSD provided basic educational services to 3,857 pupils through the employment of 326 teachers, 213 full-time and part-time support personnel, and 48 administrators. Lastly, the RTMSD received more than \$9.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the RTMSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Internal Control Weakness Regarding Memoranda of

Understanding. Our audit of the RTMSD's records found that the current Memoranda of Understanding between the RTMSD and its three law enforcement agencies were signed in May 2006 and in October 2007, and had not been updated. However, as a result of our audit, RTMSD obtained MOUs with its law enforcement agencies in May 2010 (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the RTMSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the RTMSD had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 8) and unmonitored vendor system access and logical access control weaknesses (see page 9).



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 September 14, 2007 through July 16, 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 RTMSD'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:

- ✓ 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.

RTMSD 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, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 13, 2008, we reviewed the RTMSD's response to DE dated October 29, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Internal Control Weakness Regarding Memoranda of Understanding

Criteria relevant to the observation:

Section 1303-A(c) of the Public School Code states:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, as well as the Complete All-Hazards School Safety Planning Toolkit disseminated by the Pennsylvania Emergency Management Association, contains a sample MOU to be used for school entities. Section VI, General Provisions, item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and its three law enforcement agencies were signed in May 2006 and in October 2007, and had not been updated. However, as a result of our audit, RTMSD obtained MOUs with its law enforcement agencies in May 2010.

The failure to update MOUs with all law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Rose Tree Media School District* should:

Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Management Response

Management stated the following:

The Memoranda of Understanding was not updated in a timely manner due to a transition in district leadership and changes in administrative personnel. The district will now update the Memoranda of Understanding through Board action every two years.

The district is currently up to date with the Memoranda of Understanding from the required law enforcement agencies.

Status of Prior Audit Findings and Observations

Our prior audit of the Rose Tree Media School District (RTMSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two observations. The first observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications, and the second 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 RTMSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the RTMSD did implement recommendations related to both observations.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation No. 1: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> 1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the RTMSD have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children. 2. Implement written policy and procedures to ensure the RTMSD is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children. 	<p>Background:</p> <p>Our prior audit found that the RTMSD did not have written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that the RTMSD currently has written policy and procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses since their date of hire.</p>

<p><u>II. Observation No. 2:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control Weaknesses</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). RTMSD should review these reports to determine that the access was appropriate and that data was not improperly altered. RTMSD should also ensure it is maintaining evidence to support this monitoring and review. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, RTMSD 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. 3. Allow remote access to the system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes. 	<p>Background:</p> <p>Our prior audit found that RTMSD uses software purchased from an outside vendor for its critical student accounting applications. Additionally, RTMSD's entire computer system, including all of its data and the above vendor's software are maintained on the vendor's servers which are physically located at the vendor's location. The District has remote access into the vendor's network servers. The vendor also provides the District with system maintenance and support.</p> <p>We determined that a risk existed that unauthorized changes to RTMSD'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>Current Status:</p> <p>Our current audit found that RTMSD has taken corrective action and implemented all of our recommendations.</p>
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<p>4. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign RTMSD's Acceptable Use Policy.</p> <p>5. Update the Acceptable Use Policy to include provisions for accountability (responsibilities of users, auditing, incident handling), and authentication (e.g., password security and syntax requirements).</p> <p>6. Provide documentation, e.g., screen shots, that evidence that the system parameter settings require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days); to use passwords that are a minimum length of eight characters and include alpha, numeric, and special characters; to maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); to lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</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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