

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2011

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

Mr. Denis A. Gray, Esq., Board President
School District of Haverford Township
50 East Eagle Road
Havertown, Pennsylvania 19083

Dear Governor Corbett and Mr. Gray:

We conducted a performance audit of the School District of Haverford Township (SDHT) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 4, 2008 through January 7, 2011, 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 SDHT complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 2, 2011

cc: **SCHOOL DISTRICT OF HAVERFORD TOWNSHIP** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Status of Prior Audit Findings and Observations	7
Distribution List	11



Executive Summary

Audit Work

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

Our audit scope covered the period August 4, 2008 through January 7, 2011, 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 SDHT encompasses approximately 10 square miles. According to 2000 federal census data, it serves a resident population of 48,498. According to District officials, in school year 2007-08 the SDHT provided basic educational services to 5,660 pupils through the employment of 409 teachers, 606 full-time and part-time support personnel, and 38 administrators. Lastly, the SDHT received more than \$10.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SDHT complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the SDHT from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the SDHT:

- Had taken partial appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 7).
- Had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 9).
- Had taken appropriate corrective action in implementing our recommendations pertaining to internal control weakness regarding a Memorandum of Understanding (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 August 4, 2008 through January 7, 2011.

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 SDHT'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.

SDHT 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 area, we performed analytical procedures in the area of pupil transportation.

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 SDHT operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 3, 2009, we reviewed the SDHT's response to DE dated June 18, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the School District of Haverford Township (SDHT) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in three observations. The first observation pertained to unmonitored vendor system access and logical access control weaknesses, the second observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications, and the third observation pertained to internal control weakness regarding the Memorandum of Understanding. 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 SDHT Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the SDHT partially implemented our recommendations related to the unmonitored vendor system access and logical access control weaknesses, and implemented our recommendations related to bus drivers' qualifications and the Memorandum of Understanding.

School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report

Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation Summary: 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. 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.

Recommendations: Our audit observation recommended that the SDHT:

1. Generate monitoring reports (including firewall logs) of the vendor and employee access and activity in its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the changes(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. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District 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.

3. Allow upgrades/updates to the District's system only after receipt of written authorization from appropriate District officials.
4. Store back-up tapes in a secure, off-site location.
5. 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 the District's Acceptable Use Policy.
6. Include in the District's Acceptable Use Policy provisions for privacy (e.g., monitoring of electronic mail, access to files), accountability (responsibilities of users, auditing, incident handling), and authentication (password security and syntax requirements). Further, all employees should be required to sign this policy.
7. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords 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 lock out users after three unsuccessful attempts.
8. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the District should install fire extinguishers in the computer room.

Current Status:

Our current audit found that the District implemented all of our recommendations, with the exception of recommendation 7 above. The District has not yet implemented a security policy and system parameter settings requiring all users to change passwords on a regular basis, the use of passwords of a minimum length of eight characters, including alpha, numeric, and special characters, or the maintenance of a password history. We again recommend that the District implement the recommendation.

Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary: Our prior audit found that the District did not have written policies or procedures in place to ensure that they are notified if current employees have been 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. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations: Our audit observation recommended that the SDHT:

1. Consider developing a process to determine, on a case-by-case basis, whether prospective and current employees of the District 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. Consider implementing written policies and procedures to ensure the District 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.

Current Status: Our current audit found that the District implemented our recommendations and has put procedures in place so that the District is notified if the employee has been charged with or convicted of a serious crime.

Observation No. 3: Internal Control Weakness Regarding Memorandum of Understanding

Observation Summary: Our prior audit of the District's records found that the current Memorandum of Understanding (MOU) between the District and its local law enforcement agency was signed April 30, 2004, and had not been updated since that time.

Recommendations: Our audit observation recommended that the SDHT:

1. Review, update and re-execute the current MOU between itself and its local law enforcement agency.

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

Current Status:

Our current audit found that the District implemented our recommendations.

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 Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harestown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and
Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.

