

SHALER AREA SCHOOL DISTRICT  
ALLEGHENY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2010



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

Mr. James Giel, Jr., Board President  
Shaler Area School District  
1800 Mount Royal Boulevard  
Glenshaw, Pennsylvania 15116

Dear Governor Rendell and Mr. Giel:

We conducted a performance audit of the Shaler Area School District (SASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 9, 2008 through June 18, 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 SASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

December 29, 2010

cc: **SHALER AREA 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 Shaler Area School District (SASD). 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 SASD in response to our prior audit recommendations.

Our audit scope covered the period June 9, 2008 through June 18, 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 SASD encompasses approximately 14 square miles. According to 2000 federal census data, it serves a resident population of 41,565. According to District officials, in school year 2007-08 the SASD provided basic educational services to 5,078 pupils through the employment of 429 teachers, 158 full-time and part-time support personnel, and 29 administrators. Lastly, the SASD received more than \$19.5 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the SASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the SASD 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 SASD, we found the SASD had taken appropriate corrective action in implementing our recommendations pertaining to the bus drivers' qualifications (see page 7).

We found the SASD had taken appropriate corrective action in implementing our recommendations pertaining to documenting transportation data (see page 8).

We found the SASD had taken appropriate corrective action in implementing our recommendations pertaining to the unmonitored vendor system access and logical access control weaknesses (see page 8).

We found the SASD had taken appropriate corrective action implementing our recommendations pertaining to the Memoranda of Understanding (MOU) that was not updated timely (see page 10).





## 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 June 9, 2008 through June 18, 2010, except for the verification of professional employee certification which was performed for the period February 8, 2008 to May 31, 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 SASD'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 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.

SASD 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 29, 2009, we reviewed the SASD'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 Shaler Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Shaler Area School District (SASD) for the school years 2005-06 and 2004-05 resulted in two reported findings and two observations, as shown in the following table. 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 SASD Board’s written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observations. As shown below, we found that the SASD did implement recommendations related to the findings and observations.

<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. Finding No. 1: Internal Control Weaknesses in Administrative Procedures Regarding Bus Drivers’ Qualifications</i></u></p> <ol style="list-style-type: none"> <li>1. Ensure that the District’s transportation coordinator reviews each driver’s qualifications prior to the board’s consideration of the qualifications of the drivers scheduled to transport District students, including drivers hired subsequent to the beginning of the school year.</li> <li>2. Maintain files separate from the transportation contractor for all drivers, and work with the contractor to ensure that the District’s files are up-to-date and complete.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of bus drivers’ qualifications for the 2007-08 school year found that the District did not maintain files documenting bus drivers’ qualifications, and that some bus drivers were not approved by the board.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that all necessary documentation of bus drivers’ qualifications was on file at the District, and all bus drivers were approved by the board.</p> <p>Based on the results of our current audit, we determined the District did take appropriate corrective action.</p>

<p><u>II. Finding No. 2: Internal Control Weaknesses Noted in Documenting Transportation Data</u></p> <ol style="list-style-type: none"> <li>1. Obtain data from the contractor and maintain documentation at the District.</li> <li>2. Review mileage data generated by the contractor for accuracy.</li> <li>3. Inform the District’s transportation contractor that any documentation needed to support the transporting of District students should be submitted to the District upon request.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of transportation data for the 2005-06 and 2004-05 school years found that District personnel failed to maintain complete supporting documentation to verify daily bus mileages and other transportation data as reported to DE for contracted transportation.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that all necessary documentation to verify pupil transportation data elements for the 2007-08 school year was on file at the District.</p> <p>Based on the results of our current audit, we determined the District did take appropriate corrective action.</p>
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<p><u>III. Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> <li>1. Develop and maintain a written information technology (IT) security policy and ensure that all employees are aware of the policy.</li> <li>2. Establish separate 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>3. Develop policies and procedures to require written authorization when adding, deleting, or changing userID.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found the District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access to the District’s network servers.</p> <p>We determined that a risk existed that unauthorized changes to the SASD’s data could occur and not be detected because the SASD 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>Our current audit found that the District has removed 24/7 vendor access to its system. Vendor access is only permitted with prior authorization. The system is unlocked to allow vendor access and re-locked once the vendor is finished.</p> <p>The District has also implemented the other recommendations made in the prior audit.</p> <p>Based on the results of our current audit, we determined the District did take appropriate corrective action.</p>
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<p>4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>5. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight characters.</p> <p>6. 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.</p> <p>7. Allow access to the system only when the vendor needs access to make pre-approved changes/updates or provide 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> <p>8. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the</p>		
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<p>change(s). The District should review these reports to determine that the access was appropriate and the data was not improperly altered. The District should also ensure that it is maintaining evidence to support the monitoring and review.</p> <p>9. Encrypt the District’s remote connections.</p> <p>10. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contain the membership/attendance data.</p>		
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<p><u>III. Observation No. 2:</u> <u>Memoranda of Understanding Not Updated Timely</u></p> <p>1. In consultation with the District’s solicitor, review, update, and re-execute the Memoranda of Understanding (MOU) between the District and the two local law enforcement agencies.</p> <p>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>	<p><b>Background:</b></p> <p>Our prior audit of District records found that the current MOU between the District and two local law enforcement agencies had not been updated since 1998 and 1999.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District has re-executed MOUs with the two local law enforcement agencies.</p> <p>Based on the results of our current audit, we determined the District did take appropriate corrective action.</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 Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Thomas E. Gluck  
Acting Secretary of Education  
1010 Harristown 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

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