

STEEL CENTER AREA VOCATIONAL-TECHNICAL SCHOOL
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Daniel McBride, Joint Operating Committee Chairperson
Steel Center Area Vocational-Technical School
565 Lewis Run Road
Jefferson Hills, Pennsylvania 15025

Dear Governor Rendell and Mr. McBride:

We conducted a performance audit of the Steel Center Area Vocational-Technical School (SCAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 20, 2007 through July 11, 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 SCAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an 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 SCAVTS's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SCAVTS's operations and facilitate compliance with legal and administrative requirements. We appreciate the SCAVTS's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 15, 2010

cc: **STEEL CENTER AREA VOCATIONAL-TECHNICAL SCHOOL** Joint Operating
Committee Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Steel Center Area Vocational-Technical School (SCAVTS). Our audit sought to answer certain questions regarding the AVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SCAVTS in response to our prior audit recommendations.

Our audit scope covered the period April 20, 2007 through July 11, 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.

School Background

According to School officials, in school year 2007-08 the SCAVTS provided educational services to 699 secondary pupils and 750 post-secondary pupils through the employment of 28 teachers, 17 full-time and part-time support personnel, and 3 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 11 members from the following school districts:

Baldwin-Whitehall
Bethel Park
Brentwood Borough
Clairton City

Duquesne City
Elizabeth Forward
South Allegheny
South Park
Steel Valley
West Jefferson Hills
West Mifflin Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a one year term. Lastly, the SCAVTS received more than \$650,000 in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SCAVTS 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: Unmonitored Vendor System Access and Logical Control Weaknesses. We determined that a risk exists that unauthorized changes to the SCAVTS's data could occur and not be detected because the SCAVTS was unable to provide supporting evidence that it is adequately monitoring vendor activity in its system (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the SCAVTS from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SCAVTS had taken appropriate corrective action in implementing our recommendations pertaining to the Memoranda of Understanding with local law enforcement agencies, which had not been updated timely (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 April 20, 2007 through July 11, 2009, except for the verification of professional employee certification which was performed for the period February 6, 2007 through May 28, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

While all LEAs 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

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 SCAVTS'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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the School receives state subsidy and reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?

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.

- ✓ Does the School ensure that Joint Operating Committee 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 School?
- ✓ Did the School 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 School taking appropriate steps to ensure school safety?
- ✓ Did the School 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.

SCAVTS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School 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:

- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 19, 2007, we reviewed the SCAVTS's response to DE dated May 12, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Criteria relevant to the observation:

What is logical access control?

“Logical Access” control is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

Unmonitored Vendor System Access and Logical Control Weaknesses

The Steel Center Area Vocational-Technical School (SCAVTS) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the SCAVTS’s network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the SCAVTS’s data could occur and not be detected because the SCAVTS was unable to provide supporting evidence that it is adequately monitoring vendor activity in its system. However, since the School has manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, that risk is mitigated. Attendance and membership reconciliations are performed between manual records and reports generated from the Student Accounting System.

Reliance on manual compensating controls becomes increasingly problematic if the School would ever move into a paperless future with decentralized direct entry of data into their systems. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the SCAVTS’s membership information and result in the SCAVTS not receiving the funds to which it was entitled from the state.

During our review, we found the SCAVTS had the following weaknesses over vendor access to the SCAVTS system:

1. The SCAVTS has certain weaknesses in logical access controls. We noted that the SCAVTS’s system parameter settings do not lock out users after three unsuccessful access attempts, and do not maintain a password history to prevent the use of a repetitive password (i.e., approximately last ten passwords).
2. The vendor has unlimited access (24 hours a day/7 days a week) into the SCAVTS’s system.

3. The SCAVTS does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and SCAVTS employees). There is no evidence that the SCAVTS is performing procedures to determine which data the vendor may have altered or which vendor employees accessed its system.
4. The SCAVTS does not require written authorization prior to the updating/upgrading of key applications or changing user data.
5. The SCAVTS does not have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside.
6. The SCAVTS has certain weaknesses in environmental controls in the room that contains the server that houses all of the SCAVTS's data. We noted that the specific location does not have fire detection/ fire suppression equipment.
7. The SCAVTS does not store data back-ups in a secure, off-site location.

Recommendations

The *Steel Center Area Vocational-Technical School* should:

1. Implement a security policy and system parameter settings to lock out users after three unsuccessful access attempts and maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
2. Allow access to its 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.

3. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its system. Monitoring reports should include the date, time, and reason for access, changes made, and who made the changes. The SCAVTS should review these reports to determine that the access was appropriate and that data was not improperly altered.
4. Allow upgrades/updates to the SCAVTS's system only after receipt of written authorization from appropriate SCAVTS officials.
5. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
6. 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 SCAVTS should install fire detectors and install fire extinguishers in the computer room.
7. Store back-up tapes in a secure, off-site location.

Management Response

Management indicated it agreed with the observation, but provided no additional response.

Status of Prior Audit Findings and Observations

Our prior audit of the Steel Center Area Vocational-Technical School (SCAVTS) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to the Memoranda of Understanding not being updated timely. As part of our current audit, we determined the status of corrective action taken by the SCAVTS to implement our prior recommendations. We analyzed the SCAVTS Joint Operating Committee's (JOC) written response provided to the Department of Education (DE), performed audit procedures, and questioned AVTS personnel regarding the prior findings. As shown below, we found that the AVTS did implement recommendations related to the Memoranda of Understanding.

<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>Memoranda of Understanding Not Updated Timely</i></u></p> <p>1. In consultation with the SCAVTS's solicitor, review, update and re-execute the current Memoranda of Understanding (MOU) between itself and its local law enforcement agencies.</p> <p>2. Adopt a policy requiring the administration to review, update and re-execute the MOU every two years.</p>	<p>Background:</p> <p>Our prior audit of the SCAVTS's records found that the SCAVTS had on file properly signed MOUs between itself and its local law enforcement agencies; however, the MOU had not been updated since May 20, 1999.</p>	<p>Current Status:</p> <p>The current MOUs between SCAVTS and its local law enforcement agencies were executed April 21, 2008.</p> <p>Based on the results of our current audit, we concluded that the SCAVTS <u>did</u> take appropriate corrective action to address this observation.</p>



Distribution List

This report was initially distributed to the Steel Center Area Vocational-Technical School superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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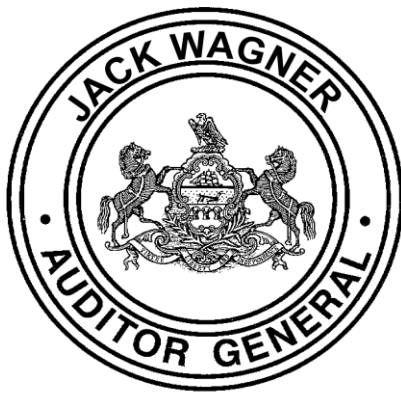
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