

STEEL CENTER AREA VOCATIONAL-TECHNICAL SCHOOL

ALLEGHENY COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

NOVEMBER 2011

The Honorable Tom Corbett
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 Corbett 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 July 11, 2009 through March 11, 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, 2010 and June 30, 2009. 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, one matter unrelated to compliance is reported as an observation. A summary of the 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 response is 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

November 9, 2011

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

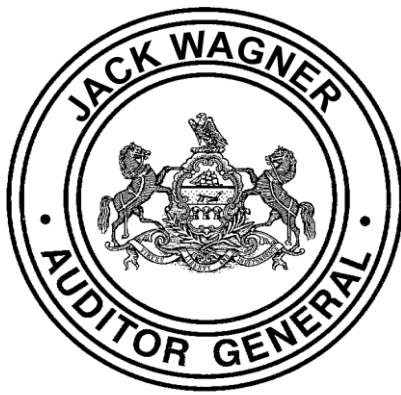
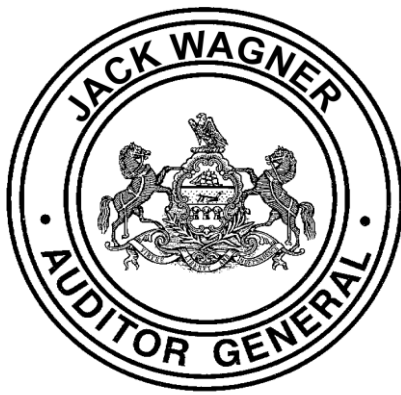


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Executive Summary

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 SCAVTS'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 July 11, 2009 through March 11, 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 2009-10 and 2008-09.

School Background

According to School officials, in school year 2009-10 the SCAVTS provided educational services to 622 secondary pupils and 750 post-secondary pupils through the employment of 26 teachers, 16 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 \$725 thousand in state funding in school year 2009-10.

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 continues to exist 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

2007-08 and 2006-07 school years, we found the SCAVTS had only partially implemented our recommendations pertaining to unmonitored vendor system access and logical control weaknesses (see page 8).

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 July 11, 2009 through March 11, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2010 through January 27, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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

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 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?
- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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:

- Records pertaining to professional employee certification, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.

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 January 15, 2010, we reviewed the SCAVTS's response to DE dated March 4, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

What is logical access control?

“Logical access” 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.

We addressed weaknesses in the District’s system in our prior audit (see page 8). During our current review, we found the SCAVTS still had the following weaknesses over vendor access to the SCAVTS system:

1. The SCAVTS does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
2. The SCAVTS does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system.

3. The SCAVTS does not have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside.
4. 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.

Recommendations

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

1. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
2. 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, change(s) made and who made the change(s). The SCAVTS should review these reports to determine that the access was appropriate and that data was not improperly altered. The SCAVTS should also ensure it is maintaining evidence to support this monitoring and review.
3. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
4. 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 fire extinguishers in the computer room.

Management Response

Management agreed with the observation, but provided no further comment.

Status of Prior Audit Findings and Observations

Our prior audit of the Steel Center Area Vocational Technical School (SCAVTS) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to unmonitored vendor system access and logical control weaknesses. As part of our current audit, we determined the status of corrective action taken by the school to implement our prior recommendations. We analyzed the SCAVTS Board's written response provided to the Department of Education, performed audit procedures, and questioned school personnel regarding the prior observation. As shown below, we found that the SCAVTS did not implement all of our recommendations related to unmonitored vendor system access and logical control weaknesses.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Observation: **Unmonitored Vendor System Access and Logical Control Weaknesses**

Observation

Summary:

Our prior audit found the SCAVTS uses software purchased from an outside vendor for its critical student accounting applications (membership and accounting). The software vendor has remote access into the SCAVTS's network servers. We determined that a risk existed 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 was adequately monitoring all vendor activity in its system.

Recommendations:

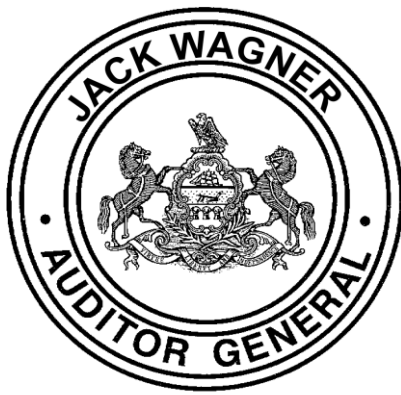
Our audit observation recommended that SCAVTS:

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 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 date, time, and reason for access, changes made, and who made the changes. The SCATVS should review these reports to determine the access was appropriate and that data was not improperly altered.

4. Allow upgrades/updates to the SCATVS's system only after receipt of written authorization from appropriate SCATVS 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.

Current Status:

During our current audit procedures we found that the SCAVTS implemented some of our recommendations, but has not implemented other recommendations; the uncorrected weaknesses are the subject of our current observation (see page 6).



Distribution List

This report was initially distributed to the 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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