

SUSQ-CYBER CHARTER SCHOOL
COLUMBIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Mr. William Allison, Board President
SusQ-Cyber Charter School
240 Market Street, Suite 15
Bloomsburg, Pennsylvania 17815

Dear Governor Corbett and Mr. Allison:

We conducted a performance audit of the SusQ-Cyber Charter School (SCCS) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period January 5, 2007 through September 10, 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 SCCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. In addition, 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 finding, observation and recommendations have been discussed with SCCS's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve SCCS's operations and facilitate compliance with legal and administrative requirements. We appreciate the SCCS's cooperation during the conduct of the audit and its willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 26, 2012

cc: **SUSQ-CYBER CHARTER SCHOOL** Board of Trustees



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Executive Summary

Audit Work

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

Our audit scope covered the period January 5, 2007 through September 10, 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.

SCCS School Background

The SCCS, located in Columbia County, Pennsylvania opened in September of 1998. It was originally chartered on August 24, 1998, for a period of five years by Berwick, Bloomsburg and Milton school districts. In 2002, Act 88 required all charter schools to be chartered by the Pennsylvania Department of Education. The SCCS's mission states: "The SusQ-Cyber Charter School will use the internet or other emerging technologies to deliver an educational program to primarily at-risk high school students who are trying to obtain their high school diploma. Many of

these students have already dropped out of school, or are in danger of doing so, are pregnant or parenting, are medically or emotionally unable to attend their regular school, are involved in confrontations at their school, or are making one last attempt to complete high school and earn a diploma. Most students enroll during their junior or senior year, are overage for their grade, are basic or below basic in proficiency and are seeking the opportunity to get back on track toward graduation. The SCCS will assist these at-risk students as well as the non-at-risk students who want to pursue an alternative path to a high school diploma through cyber education. The SCCS will plan a Personalized Education Plan for each student which credits them for past courses earned and outlines a plan for the completion of their graduation requirements. The SCCS will closely monitor and motivate these students for attendance and academic progress as they work toward the achievement of their educational and life goals."

During the 2007-08 school year, the SCCS provided educational services to 306 pupils from 70 sending school districts through the employment of 10 teachers, 6 full-time and part-time support personnel, and 2 administrators. The SCCS received \$43,373 in state funding in school year 2007-08.

Adequate Yearly Progress

The SCCS did not make Adequate Yearly Progress (AYP) for the 2010-11 school year and is in a Corrective Action II status level for the 3rd year. A school that misses only

one measure will not meet AYP. The SCCS met 5 out of 7 AYP measures in 2010-11. Specifically, the SCCS fell short of the AYP targets for Graduation and Academic Performance. The SCCS will need to meet AYP for two years in a row to be considered on track to meet the goal of all students attaining proficiency in Reading and Math by the year 2014.

AYP is a key measure of school performance established by the federal No Child Left Behind Act (NCLB) of 2001 requiring that all students reach proficiency in Reading and Math by 2014. For a school to meet AYP measures, students in the school must meet goals or targets in three areas: (1) Attendance (for schools that do not have a graduating class) or Graduation (for schools that have a high school graduating class), (2) Academic Performance, which is based on tested students' performance on the Pennsylvania System of School Assessment (PSSA); and (3) Test Participation, which is based on the number of students that participate in the PSSA. Schools are evaluated for test performance and test participation for all students in the tested grades (3-8 and 11) in the school. AYP measures determine whether a school is making sufficient annual progress towards the goal of 100 percent proficiency.

Audit Conclusion and Results

Our audit found that the SCCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a

finding and one matter unrelated to compliance that is reported as an observation.

Finding: Failure to Develop Memorandum of Understanding with Local Law Enforcement. Our audit of the SCCS's records found that the Charter School failed to enter into a Memorandum of Understanding (MOU) between the SCCS and the police department(s) having jurisdiction over school property. An MOU sets forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property as required by school safety provisions in the Public School Code (see page 10).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. Our audit found that the SCCS uses software purchased from a vendor for its critical student accounting applications (membership and attendance). Additionally, the SCCS's entire computer system, including all its data and the vendor's software are maintained on servers which are physically located at SCCS. The vendor has remote access into SCCS's network server (see page 12).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SCCS from an audit we conducted of the 2005-06, 2004-05, and 2003-04 school years, we found the SCCS had taken appropriate corrective action in implementing our recommendations pertaining to their filing of their Statements of Financial Interest forms (see page 16).

Background Information on Pennsylvania Charter Schools

Pennsylvania Charter School Law

Description of Pennsylvania Charter Schools:

Charter and cyber charter schools are taxpayer-funded public schools, just like traditional public schools. There is no additional cost to the student associated with attending a charter or cyber charter school. Charter and cyber charter schools operate free from many educational mandates, except for those concerning nondiscrimination, health and safety, and accountability.

Pennsylvania's charter schools were established by the Charter School Law (Law), enacted through Act 22 of 1997, as amended. In the preamble of the Law, the General Assembly stated its intent to provide teachers, parents, students, and community members with the opportunity to establish schools that were independent of the existing school district structure.¹ In addition, the preamble provides that charter schools are intended to, among other things, improve student learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.²

The Law permits the establishment of charter schools by a variety of persons and entities, including, among others, an individual; a parent or guardian of a student who will attend the school; any nonsectarian corporation not-for-profit; and any nonsectarian college, university or museum.³ Applications must be submitted to the local school board where the charter school will be located by November 15 of the school year preceding the school year in which the charter school will be established,⁴ and that the board must hold at least one public hearing before approving or rejecting the application.⁵ If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,⁶ which is comprised of the Secretary of Education and six members appointed by the Governor with the consent of a majority of all of the members of the Senate.⁷

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A (a).

⁴ 24 P.S. § 17-1717-A (c).

⁵ 24 P.S. § 17-1717-A (d).

⁶ 24 P.S. § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

Pennsylvania ranks high compared to other states in the number of charter schools:

According to the Center for Education Reform, Pennsylvania has the 7th highest charter school student enrollment, and the 10th largest number of operating charter schools, in the United States.

Source: "National Charter School and Enrollment Statistics 2010." October, 2010.

With certain exceptions for charter schools within the School District of Philadelphia, initial charters are valid for a period of no less than three years and no more than five years.⁸ After that, the local school board can choose to renew a school's charter every five years, based on a variety of information, such as the charter school's most recent annual report, financial audits, and standardized test scores. The board can immediately revoke a charter if the school has endangered the health and welfare of its students and/or faculty. However, under those circumstances, the board must hold a public hearing on the issue before it makes its final decision.⁹

Act 88 of 2002 amended the Law to distinguish cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means, from brick-and-mortar charter schools that operate in buildings similar to school districts.¹⁰ Unlike brick-and-mortar charter schools, cyber charter schools must submit their application to the Department of Education (DE), which determines whether the application for a charter should be granted or denied.¹¹ However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.¹² In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.¹³ Cyber charter schools that had their charter initially approved by a local school district prior to August 15, 2002, must seek renewal of their charter from DE.¹⁴

Pennsylvania Charter School Funding

The Commonwealth bases the funding for charter schools on the principle that the state's subsidies should follow the students, regardless of whether they choose to attend traditional public schools or charter schools. According to the Charter School Law, the sending school district must

⁸ 24 P.S. § 17-1720-A.

⁹ Pennsylvania Department of Education, Basic Education Circular, "Charter Schools," Issued 10/1/2004.

¹⁰ 24 P.S. § 17-1703-A, 17-1741-A *et seq.*

¹¹ 24 P.S. § 17-1745-A(d).

¹² 24 P.S. § 17-1745-A(f)(4).

¹³ 24 P.S. § 17-1741-A(a)(3).

¹⁴ 24 P.S. § 17-1750-A(e).

Funding of Pennsylvania Charter Schools:

Brick-and mortar charter schools and cyber charter schools are funded in the same manner, which is primarily through tuition payments made by school districts for students who have transferred to a charter or cyber charter school.

The Charter School Law requires a school district to pay a per-pupil tuition rate for its students attending a charter or cyber charter school.

pay the charter/cyber charter school a per-pupil tuition rate based on its own budgeted costs, minus specified expenditures, for the prior school year.¹⁵ For special education students, the same funding formula applies, plus an additional per-pupil amount based upon the sending district's special education expenditures divided by a state-determined percentage specific to the 1996-97 school year.¹⁶ The Charter School Law also requires that charter schools bill each sending school district on a monthly basis for students attending the charter school.¹⁷

Typically, charter schools provide educational services to students from multiple school districts throughout the Commonwealth. For example, a charter school may receive students from ten neighboring, but different, sending school districts. Moreover, students from numerous districts across Pennsylvania attend cyber charter schools.

Under the Public School Code of 1949, as amended, the Commonwealth also pays a reimbursement to each sending school district with students attending a charter school that amounts to a mandatory percentage rate of total charter school costs.¹⁸ Commonwealth reimbursements for charter school costs are funded through an education appropriation in the state's annual budget. However, the enacted state budget for the 2011-12 fiscal year eliminated funding of the charter school reimbursement previously paid to sending school districts.¹⁹

¹⁵ See 24 P.S. § 17-1725-A(a)(2).

¹⁶ See 24 P.S. § 17-1725-A(a)(3); 25-2509.5(k).

¹⁷ See 24 P.S. § 17-1725-A(a)(5).

¹⁸ See 24 P.S. § 25-2591.1. Please note that this provision is contained in the general funding provisions of the Public School Code and not in the Charter School Law.

¹⁹ Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the Public School Code and states the following: "For the fiscal year 2003-2004 and each fiscal year thereafter, if insufficient funds are appropriated to make Commonwealth payments pursuant to this section, such payments shall be made on a pro rata basis." Therefore, it appears that state funding could be restored in future years.

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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under the 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 January 5, 2007 through September 10, 2010.

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

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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing SCCS’s compliance with applicable state laws, 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:

- ✓ Was the charter school in overall compliance with the Public School Code of 1949¹ (PSC) and the Charter School Law (Law)?²
- ✓ Did the charter school have policies and procedures regarding the requirements to maintain student health records and perform required health services, and keep accurate documentation supporting its annual health

¹ 24 P.S. § 1-101 *et seq.*

² 24 P.S. § 17-1701-A *et seq.*

services report filed with the Department of Health to receive state reimbursement?

- ✓ Did the charter school receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program, was its lease agreement approved by its Board of Trustees, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?³
- ✓ Did the charter school comply with the open enrollment and lottery provisions of the Law?
- ✓ Does the charter school provide the services required for its special education students through outside agencies and/or through properly certified professional staff with the required instructional hours and/or training?
- ✓ Did the charter school Board of Trustees and administrators, and the chartering school board members comply with the Public School Code, the Public Official and Employee Ethics Act, and the Sunshine Act?
- ✓ Were at least 75 percent of the charter school's teachers properly certified and did all of its noncertified teachers meet the "highly qualified teacher" requirements?
- ✓ Did the charter school require its noncertified professional employees to provide evidence that they are at least 18 years of age, a U.S. citizen, and certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school?
- ✓ Did the charter school accurately report its membership numbers to DE and were its average daily membership and tuition billings accurate?
- ✓ Did the charter school comply with the Law's compulsory attendance provisions and, if not, did the

³ 65 Pa.C.S. § 1101 *et seq.*

charter school remove days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to the regulations?⁴

- ✓ Did the charter school take appropriate steps to ensure school safety?
- ✓ Did the charter school require that all of its employees enroll in the Public School Employees' Retirement System at the time of filing its charter school application as required by the Law, unless the Board of Trustees had a retirement plan that covered the employees or the employees were already enrolled in another retirement program?
- ✓ Did the charter school use an outside vendor to maintain its membership data and, if so, are internal controls in place related to vendor access?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Did the charter school take appropriate corrective action to address recommendations made in our prior audit?

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, 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, observations, and conclusions based on our audit objectives.

SCCS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the charter school is in compliance with applicable laws, 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.

⁴ 22 Pa. Code § 11.24.

Any significant deficiencies found during the audit are included in this report.

Our audit examined the following:

- Records pertaining to professional employee certification, student health services, special education, lease agreements, open enrollment, vendor contracts, and student enrollment.
- Items such as Board of Trustees' meeting minutes, pupil membership records, IRS 990 forms, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Findings and Observations

Finding

Failure to Develop Memorandum of Understanding with Local Law Enforcement

Relevant Statutory Provisions and Related Criteria

Section 1303-A(c) of the *Public School Code (PSC)*, 24 P.S. § 13-1303-A(c), amended November 17, 2010 with an effective date of February 15, 2011, provides, in part:

“ . . . each chief school administrator **shall enter** into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. The memorandum of understanding shall be signed by the chief school administrator, the chief of police of the police department with jurisdiction over the relevant school property and principals of each school building of the school entity. . . .”

The “office” refers to the Office for Safe Schools established within the Department of Education through Section 1302-A(a) of the *PSC*, 24 P.S. § 13-1302-A(a). The term “biennially” means “an event that occurs every two years.”

Prior to the effective date of the above referenced enactment of the MOU requirements, all public schools were required to **develop** a memorandum of understanding with local law enforcement.

Our audit of the SusQ-Cyber Charter School’s (SCCS) records found that the SCCS failed to enter into a Memorandum of Understanding (MOU) between the SCCS and the police department(s) having jurisdiction over school property. An MOU sets forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property as required by school safety provisions in the PSC. As our audit progressed, the SCCS did execute the necessary MOU.

The failure to enter into a MOU with all pertinent police departments could result in a lack of cooperation, direction, and guidance between SCCS employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to have a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Moreover, recently enacted amendments to the safe schools provisions of the PSC expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with the Department of Education’s Office of Safe Schools on a biennial basis. Consequently, future failure to develop a MOU will result in non-compliance with additional MOU requirements enacted November 17, 2010.

Section 1749-A of the PSC, 24 P.S. § 17-1749-A Applicability of other provisions of this act and of other acts and regulations (a) General requirements – Cyber charter schools shall be subject to the following:
(1) Sections . . . 1303-A . . .

The SCCS’s failure to obtain a MOU was due to the SCCS not being aware of Section 1303-A(c) of the Public School Code which states the need for all school entities to develop a MOU with local law enforcement.

On July 27, 2010, the SCCS and personnel of the local law enforcement agency executed and signed a MOU.

Recommendations

The *SusQ-Cyber Charter School* should:

1. In consultation with the SCCS’s solicitor, review new requirements for MOUs and other school safety areas under the PSC to ensure compliance with amended Safe Schools provisions enacted November 17, 2010 effective February 15, 2011.
2. Adopt a board policy requiring the SCCS’s administration to develop a MOU with all the police departments having jurisdiction over school property and biennially update and re-execute each MOU and file a copy with the Department of Education’s Office of Safe Schools on a biennial basis.

Management Response

Management stated the following:

When the State Auditors conducted their first meeting with *SusQ-Cyber Charter School* management on June 17, 2010 they asked for the Memorandum of Understanding with the local police authorities. They were told there was none. This was due in part to misunderstanding on the part of the Cyber School Management caused by the nature of the *SusQ-Cyber Charter School* being a Cyber School with little student activity in the building. After discussion with the auditors, management said they would have a MOU in place as soon as possible. The local Chief of Police was contacted and after several drafts were passed back and forth, a memorandum of understanding was created, signed by the CEO and the Chief of Police, and was delivered to the auditors. The Board of Trustees received a copy of the MOU with their Board meeting agenda and approved the MOU at the July 27, 2010 Board of Trustees Meeting. The MOU is now in place and the local police have copies of the floor plans of the building showing staff/office locations.

Observation



Unmonitored Vendor System Access and Logical Access Control Weaknesses

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.

Our audit found that the SusQ-Cyber Charter School (SCCS) uses software purchased from a vendor for its critical student accounting applications (membership and attendance). Additionally, the SCCS’s entire computer system, including all its data and the vendor’s software are maintained on servers which are physically located at SCCS. The vendor has remote access into SCCS’s network server.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the SCCS’s data could occur and not be detected because the SCCS was unable to provide supporting evidence that they are adequately monitoring all vendor activity in its system. However, since the SCCS has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. 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 SCCS would ever move into an entirely paperless system with decentralized direct entry of data into its systems. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the SCCS’s membership information and result in the SCCS not receiving the funds to which it was entitled from the state.

During our review, we found the SCCS had the following weaknesses over vendor access:

1. Does not include provisions for authentication (password security and syntax requirements) in its Acceptable Use Policy.
2. Does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the SCCS’s Acceptable Use Policy.

3. Has certain weaknesses in logical access controls. We noted that the SCCS's system parameter settings do not require all users, including the vendor, to change passwords every 30 days and to maintain a password history (i.e., approximately ten passwords).
4. Does not have evidence to support it is generating or reviewing monitoring reports of user access and activity on the system (including vendor and school employees). There is no evidence that the SCCS is performing procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.

Recommendations

The *SusQ-Cyber Charter School* should:

1. Ensure the SCCS's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
2. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the SCCS should require the vendor to sign the SCCS's Acceptable Use Policy.
3. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Also, the SCCS should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords).
4. 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 change(s). The SCCS should review these reports to determine that the access was appropriate and that data was not improperly altered. The SCCS should also ensure it is maintaining evidence to support this monitoring and review.

Management Response

Management stated the following:

We believe the requirements for IT monitoring of Vendor Access have changed since we set up access with the Vendors. This was a growth process and we also question if the Vendors were aware of their responsibilities in this area. The primary Vendor did not mention any need for monitoring their access to the system which is located on their server. Now that we are aware of the need and requirement of this monitoring and logging of access we will install procedures to correct this monitoring step and to establish logs of access. When the Board adopted the Acceptable Use Policy in 2002 these provisions were not part of the directives regarding the policy requirements. This will be corrected by Board action.

1. “We will give responsibility to the Technology Supervisor to actively work to amend the acceptable use policy to include provisions for authentication (password security and syntax requirements). The new policy will be presented to the solicitor for review and to the Board of Trustees for adoption at a regular board meeting.”
2. “We will give responsibility to the Technology Supervisor to actively work to write policies and procedures controlling the activities of vendors/consultants and require the vendor to sign the Cyber School’s Acceptable Use Policy. These policies and procedures will be presented to the solicitor for review and to the Board of Trustees for adoption at a regular board meeting.”
3. “We will give responsibility to the Technology Supervisor to review the access controls and the rules regarding the requirement that all users including vendors must change their passwords every 30 days and to maintain a password history that is available to the CEO or any authorized Cyber School administrator. The requirement is that a password history of at least 10 passwords must be maintained. However, that requirement creates many additional problems since student passwords must be changed manually. If the vendor changes the system to permit students to change

their passwords on their own they would be encrypted which will deny the Cyber School Access to the passwords. Since there are several traditional schools in our area (Shikellamy, Williamsport Area) that are using this same Student Information Management System, the Technology Supervisor will contact them to see how they are changing their passwords every 30 days and how they have succeeded in having the vendor alter their system to permit the changes. The Technology Supervisor will investigate how to maintain this history. Any procedural changes will be presented to the solicitor for review and to the Board of Trustees for adoption at a regular board meeting.”

4. “We will give responsibility to the Technology Supervisor to establish procedures to generate and review monitoring reports of user access and activity on the system (including vendor and district employees). The Technology Supervisor will establish procedures to enable the Cyber School to generate monitoring reports of employee and vendor access and activity on the system. These monitoring reports should to the extent possible include the date, time, and reason for the access, changes made, and who made the changes, the Technology Supervisor should review these reports and review the reports with the CEO to determine if the access was appropriate and authorized and if any data was improperly altered. The Technology Supervisor should establish a method to provide evidence that this monitoring and review is taking place. These procedures will be presented to the solicitor for review and to the Board of Trustees for adoption at a regular board meeting.”

Status of Prior Audit Findings and Observations

Our prior audit of the SusQ-Cyber Charter School (SCCS) for the school years 2005-06, 2004-05 and 2003-04 resulted in one reported finding. The finding pertained to a violation of the Public Official and Employee Ethics Act. As part of our current audit, we determined the status of corrective action taken by the SCCS to implement our prior recommendations. We performed audit procedures, and questioned SCCS personnel regarding the prior finding. As shown below, we found that the SCCS did implement recommendations related to a violation of the Public Official and Employee Ethics Act.

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

Finding: **In Violation of the Public Official and Employee Ethics Act, a Total of Three of Nine Board Members Failed to File Their Statements of Financial Interests for the 2004 Reporting Year**

Finding Summary: Our prior audit of the SCCS's records for the calendar years ended December 31, 2004 and 2005, found that three of nine board of trustee members failed to file their Statements of Financial Interests forms with the State Ethics Commission for the 2004 reporting year.

Recommendations: Our audit finding recommended that the SCCS:

1. Seek the advice of the State Ethics Commission in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests form.
2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests forms do so in compliance with the Ethics Act.

Current Status: During our current audit procedures we found that the SCCS did implement our recommendations.

Distribution List

This report was initially distributed to the chief executive officer, the board of trustees, our website address at www.auditorgen.state.pa.us, and the following:

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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.

