

TURKEYFOOT VALLEY AREA SCHOOL DISTRICT
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2009

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

Mr. Vincent Smith, Board President
Turkeyfoot Valley Area School District
172 Turkeyfoot Road
Confluence, Pennsylvania 15424

Dear Governor Rendell and Mr. Smith:

We conducted a performance audit of the Turkeyfoot Valley Area School District (TVASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 26, 2006 through May 15, 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, 2007, 2006 and 2005. 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 TVASD complied, in all significant respects, with applicable state laws, regulations, 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 TVASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve TVASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the TVASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

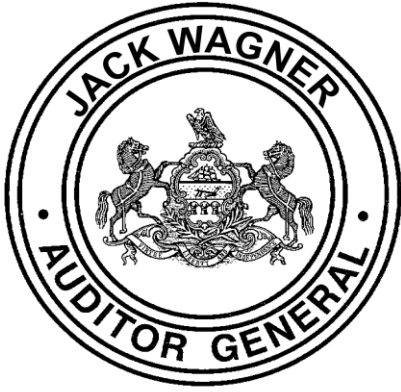
JACK WAGNER
Auditor General

December 4, 2009

cc: **TURKEYFOOT VALLEY AREA SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Certification Irregularity	6
Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses	8
Status of Prior Audit Findings and Observations	11
Distribution List	15



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Turkeyfoot Valley Area School District (TVASD). 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 TVASD in response to our prior audit recommendations.

Our audit scope covered the period September 26, 2006 through May 15, 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, 2006-07, 2005-06 and 2004-05.

District Background

The TVASD encompasses approximately 102 square miles. According to 2000 federal census data, it serves a resident population of 3,093. According to District officials, in school year 2007-08 the TVASD provided basic educational services to 399 pupils through the employment of 39 teachers, 3 full-time and part-time support personnel, and 2 administrators. Lastly, the TVASD received more than \$3.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the TVASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: Certification Irregularity. Our audit of TVASD professional employees' certification and assignments for the period September 1, 2006 through March 31, 2009, found that one teacher was assigned outside her area of certification (see page 6).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. We determined that a risk exists that unauthorized changes to the TVASD's data could occur and not be detected because the TVASD was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the TVASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the TVASD had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in the District's transportation system (see page 11), violations of the Public Official and Employee Ethics Act (see page 12), and internal control weaknesses in administrative policies regarding bus

drivers' qualifications (see page 13).
However, the TVASD had not taken
appropriate corrective action pertaining to
certification irregularities (see page 12).

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 September 26, 2006 through May 15, 2009, except for the verification of professional employee certification which was performed for the period September 1, 2006 through March 31, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 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 TVASD'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?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?

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.

- ✓ 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?
- ✓ 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.

TVASD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 14, 2007, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to this finding:

Section 1202 of the Public School Code (PSC) provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the PSC provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Certification Irregularity

Our audit of professional employees' certification and assignments for the period September 1, 2006 through March 31, 2009, found one teacher may have been assigned outside her area of certification during the 2008-09 school year. The teacher was performing the duties of an elementary guidance counselor with a music certificate.

Information pertaining to the irregularity was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE), for its review. BSLTQ subsequently determined the teacher was assigned outside her area of certification; the District is therefore subject to a subsidy forfeiture. The subsidy forfeiture could not be calculated because the aid ratio necessary for the calculation was not yet available from DE.

The certification irregularity occurred because the administration failed to accurately monitor assignments for its professional personnel.

Recommendations

The *Turkeyfoot Valley Area School District* should:

Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.

The *Department of Education* should:

Adjust the District's allocations to assess the subsidy forfeiture when the aid ratio becomes available.

Management Response

Management stated the following:

On August 25, 2009, [the teacher] was placed in the Elementary Guidance Counselor position, due to the resignation of [the previous guidance counselor]. At that time [she] had completed her Guidance Counselor degree. However, [she] failed to submit her degree information to the Pennsylvania Department of Education and we failed to submit for an Emergency Permit.

Observation

What is logical access control?

“Logical access” is 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 Access Control Weaknesses

The Turkeyfoot Valley Area School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District’s network servers.

Based on our current year procedures, we determined that a risk exists 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 is adequately monitoring all vendor activity in its system. However, since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the District’s membership information and result in the District not receiving the funds to which it was entitled from the state.

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

1. The District does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and District employees). There is no evidence that the District is performing procedures to determine which data vendor may have altered or which vendor employees accessed their system.
2. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
3. The vendor has unlimited remote access (24 hours a day/7 days a week) into the District’s system.

4. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
5. The District does not require written authorization before adding, deleting, or changing a userID.
6. The District does not have any current policies or procedures in place to analyze the impact of proposed program changes in relation to other business-critical functions.
7. The District does not have current information technology (IT) policies and procedures for controlling the activities of vendor/consultants, nor does it require vendor to sign the District's Acceptable Use Policy.
8. The District's Acceptable Use Policy does not include provisions for Authentication (e.g., password and syntax requirements).
9. The District has certain weaknesses in logical access controls. We noted that the District's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; and to maintain a password history (i.e., approximately ten passwords).

Recommendations

The *Turkeyfoot Valley School District* should:

1. 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 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's 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 access to the 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.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
7. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy.
8. Include in its Acceptable Use Policy provisions for authentication (password security and syntax requirements).
9. 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). 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).

Management Response

Management stated the following:

We plan to correct these issues with the administration, technology coordinator, and staff. Our goal is to provide procedures that will ensure the security of our programs and systems.

Status of Prior Audit Findings and Observations

Our prior audit of the Turkeyfoot Valley Area School District (TVASD) for the school years 2003-04 and 2002-03 resulted in three reported findings and one observation 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 performed audit procedures and questioned District personnel regarding the prior findings. As shown below, we found that the TVASD did implement recommendations related to transportation, the public official and employee ethics act, and administrative policies regarding bus drivers' qualifications. TVASD did not implement recommendations related to certification irregularities.

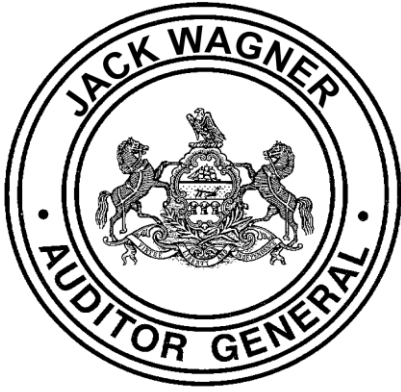
<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Internal Control Weaknesses in the District's Transportation System</i></u></p> <ol style="list-style-type: none"> 1. Obtain from the transportation coordinator the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications. 2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students. 3. Maintain files, separate from the contractor, for all District drivers and work with the contractor to ensure that the District's files are up-to-date and complete. 4. Report miles driven in compliance with the Department of Education (DE) guidelines. 	<p>Background:</p> <p>Our prior review of various District transportation records found the following internal control weaknesses in the District's transportation system:</p> <ul style="list-style-type: none"> • lack of documentation regarding bus driver's qualifications; and • inaccurate reporting of miles driven for transportation reimbursement purposes. 	<p>Current Status:</p> <p>Our current audit found that the District had all of the required documentation regarding bus driver qualifications on file.</p> <p>Additionally, we found that the District accurately reported to DE the miles driven for transportation reimbursement purposes.</p>

<p><u>II. Finding No. 2:</u> <u>Violations of the Public Official and Employee Ethics Act</u></p> <ol style="list-style-type: none"> 1. Seek the advice of its solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Public Official and Employee Ethics Act. 	<p>Background:</p> <p>Our prior audit of District records found the following:</p> <ul style="list-style-type: none"> • for 2005, four directors failed to file a Statement of Financial Interests, and two directors files late statements; and • for 2003, five directors failed to file a Statement of Financial Interests, and nine directors filed late statements. 	<p>Current Status:</p> <p>Our current audit review of board members' Statements of Financial Interests for the 2006 and 2007 years determined all board members' forms were on file in the District.</p>
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<p><u>III. Finding No. 3:</u> <u>Certification Irregularities</u></p> <ol style="list-style-type: none"> 1. Put procedures in place to ensure compliance with certification regulations and guidelines. 2. DE should recover the appropriate subsidy forfeitures. 	<p>Background:</p> <p>Our prior audit of professional employees' certification for the period September 5, 2003 through August 31, 2006, found two certification irregularities.</p>	<p>Current Status:</p> <p>Our current audit found that the District filed a certification audit appeal with DE related to one of the previously cited individuals, and DE withdrew that portion of the citation in August of 2008. The other previously cited individual resigned from the District.</p> <p>Our current audit of professional employees' certification for the period September 1, 2006 through March 31, 2009 found another certification irregularity (see page 6).</p> <p>In December of 2008, DE recovered the \$534 subsidy forfeiture for the uncontested citation from the previous audit.</p>
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<p><u>I. Observation: Internal</u></p>	<p>Background:</p>	<p>Current Status:</p>
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<p><u>Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none">1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District's transportation contractor 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. Implement written policies and procedures to ensure that the District is notified when current employees of the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.	<p>Our prior audit found that neither the District nor the transportation contractor had written policy or procedures in place to ensure that they were notified if current employees were 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.</p>	<p>On April 20, 2009, the board adopted a policy requiring notification of the District if current employees of the transportation contractor are charged with or convicted of serious crimes.</p>
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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:

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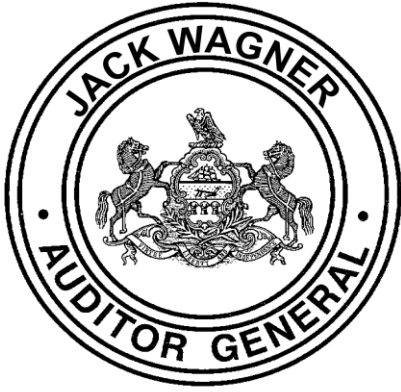
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