

UPPER BUCKS COUNTY AREA VOCATIONAL-TECHNICAL SCHOOL
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2009

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

Ms. Theodora Moyer, Joint Operating Committee Chairperson
Upper Bucks Area County Vocational-Technical School
3115 Ridge Road
Perkasie, Pennsylvania 18944

Dear Governor Rendell and Ms. Moyer:

We conducted a performance audit of the Upper Bucks County Area Vocational-Technical School (UBCAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period May 23, 2007 through May 1, 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, as they were the most recent reimbursements subject to audit. 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 UBCAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. 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 UBCAVTS's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve UBCAVTS's operations and facilitate compliance with legal and administrative requirements. We appreciate the UBCAVTS's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

October 8, 2009

cc: **UPPER BUCKS COUNTY 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 Upper Bucks County Area Vocational Technical School (UBCAVTS). Our audit sought to answer certain questions regarding the UBCAVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the UBCAVTS in response to our prior audit recommendations.

Our audit scope covered the period May 23, 2007 through May 1, 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 UBCAVTS provided educational services to 660 secondary pupils and 6 post-secondary pupils through the employment of 28 teachers, 35 full-time and part-time support personnel, and 6 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 9 members from the following school districts:

Palisades
Pennridge
Quakertown Community

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the UBCAVTS received more than \$711,000 in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the UBCAVTS 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 Access Control

Weaknesses. We noted that UBCAVTS personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over outside vendor access to the student accounting applications (see page 6).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the UBCAVTS from an audit we conducted of the 2005-06 and 2004-05 school years, we found the UBCAVTS had taken appropriate corrective action in implementing our recommendations to review, update and re-execute the current Memorandum of Understanding (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 May 23, 2007 through May 1, 2009, except for the verification of professional employee certification which was performed for the period May 1, 2007 through March 31, 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 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 UBCAVTS'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?
- ✓ 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?
- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?

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 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?
- ✓ In areas where the School receives state subsidy and reimbursements based on payroll (e.g. social security and retirement), did it follow applicable laws and procedures?
- ✓ Does the School ensure that Joint Operating Committee members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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?

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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

UBCAVTS 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.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 22, 2007, UBCAVTS was not required to respond to DE for the prior audit observation. 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 Access Control Weaknesses

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

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the UBCAVTS’s data could occur and not be detected because the UBCAVTS was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the UBCAVTS 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 UBCAVTS 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 UBCAVTS’s membership information and result in the UBCAVTS not receiving the funds to which it was entitled from the state.

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

1. The UBCAVTS 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.

Recommendations

The *Upper Bucks County Area Vocational-Technical School* should:

1. 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.

Management Response

Management stated the following:

Due to the complex nature of the required elements in this observation, the [UBCAVTS] feels that these best practice recommendations are not feasible to implement in an organization our size. Without a help desk, complex password requirements could detrimentally affect the workplace and productivity of our faculty and staff. We will continue to investigate additional security measures as needed.

Auditor Conclusion

The conditions and recommendations stated above represent the information communicated to the auditors during our fieldwork. Any subsequent improvements or changes in management representations will be evaluated in the subsequent audit. The observation remains as presented.

Status of Prior Audit Findings and Observations

Our prior audit of the Upper Bucks County Area Vocational-Technical School (UBCAVTS) for the school years 2005-06 and 2004-05 resulted in one reported observation that pertained to the Memorandum of Understanding. As part of our current audit, we determined the status of corrective action taken by the UBCAVTS to implement our prior recommendations. We performed audit procedures, and questioned UBCAVTS personnel regarding the prior observation. As shown below, we found that the UBCAVTS did update their Memorandum 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: Memorandum of Understanding Not Updated Timely</i></u></p> <ol style="list-style-type: none"> 1. The joint operating committee (JOC) and UBCAVTS administration, in consultation with its solicitor, should review, update and re-execute the current Memorandum of Understanding (MOU) between the UBCAVTS and Pennsylvania State Police. 2. Additionally, the JOC should adopt a policy requiring the administration to review and re-execute the MOU every two years. 	<p>Background:</p> <p>Our audit of the UBCAVTS records found that the current MOU between the UBCAVTS and the Pennsylvania State Police was signed June 11, 1997, and has not been updated.</p>	<p>Current Status:</p> <p>We followed up on the UBCAVTS current MOU between the UBCAVTS and the Pennsylvania State Police and found that the UBCAVTS <u>did</u> take appropriate corrective action to update their MOU.</p>

Distribution List

This report was initially distributed to the executive director of the area vocational-technical school, the joint operating committee members, our website address at www.auditorgen.state.pa.us, and the following:

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