

WARRIOR RUN SCHOOL DISTRICT
NORTHUMBERLAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2011

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

Mr. Todd P. Moser, Board President
Warrior Run School District
4800 Susquehanna Trail
Turbotville, Pennsylvania 17772

Dear Governor Corbett and Mr. Moser:

We conducted a performance audit of the Warrior Run School District (WRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 11, 2008 through November 18, 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 WRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our audit observation and recommendations have been discussed with WRSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WRSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WRSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

April 20, 2011

cc: **WARRIOR RUN SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Warrior Run School District (WRSD). 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 WRSD in response to our prior audit recommendations.

Our audit scope covered the period July 11, 2008 through November 18, 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.

District Background

The WRSD encompasses approximately 113 square miles. According to 2000 federal census data, it serves a resident population of 16,542. According to District officials, in school year 2007-08 the WRSD provided basic educational services to 1,722 pupils through the employment of 143 teachers, 102 full-time and part-time support personnel, and 14 administrators. Lastly, the WRSD received more than \$8.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WRSD 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 WRSD personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over vendor access to the student accounting applications (see page 6).

Status of Prior Audit Findings and Observations.

There were no findings or observations in the prior audit report.



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

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, 2008 through November 18, 2010.

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

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

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 WRSD'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:

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 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.

WRSD 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.
- Items such as Board meeting minutes and pupil membership records.

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

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 Warrior Run School District uses software purchased from Pearson for its critical student accounting applications (membership and attendance). The vendor has remote access into the 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 audit, we found the District had the following weaknesses over vendor access to the District’s system:

1. Does not have a formal contract with the vendor to provide student accounting applications and related information technology services.
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 District’s Acceptable Use Policy.

3. 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 and maintain a password history to prevent the use of a repetitive password (i.e., approximately last ten passwords).
4. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
5. The District does not have evidence that is generating or reviewing monitoring reports of user access and activity on the system (including vendor and District employees). There is no evidence that the District is performing procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.
6. The District does not store data back-ups in a secure, off-site location.

Recommendations

The *Warrior Run School District* should:

1. Develop an agreement with the vendor to provide student accounting applications and related IT services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.
2. 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.
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) and to maintain a password history that will prevent the use of a repetitive password. (i.e., last ten words).

4. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
5. 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 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.
6. Store back-up tapes in a secure, off-site location.

Management Response

Management stated the following:

Condition 1

The district has an agreement with NCS Pearson that covers privacy, legal, financial, organizational, documentary, performance, security, intellectual property, termination responsibilities and liabilities. This agreement was required by NCS Pearson and executed upon payment and acceptance of the Powerschool SIS application. Our policy committee and solicitor will review this agreement and revise if necessary by December of this year. We will contact the vendor and request that the appropriate authority from their organization sign as a more formal agreement.

Condition 2

The district's policy committee will create policies to address the control of vendor/consultants activities on our Student Information System. Until then administrative access to the Powerschool application will be limited to the IT director or his assigns. Remote access will only be allowed using a view-only vendor account with the IT Director or his assign making changes if suggested by the vendor. The IT Director or his assign will log all changes to the SIS program. Additionally, all vendors granted

access will be required to sign a copy of the district's Acceptable Use Policy.

Condition 3

The district will establish a procedure and policy requiring all users of the SIS (Powerschool) to change their passwords every 30 to 45 days.

The district will implement a password history policy denying use of the last 10 passwords as soon as this feature comes available in the Powerschool product.

Condition 4

The district will create multiple view inactive only accounts that can be activated and issued to the vendor on an as needed basis. These accounts can then be tracked by the IT department.

Condition 5

Vendors will no longer have the capability to alter structure of data within our Powerschool SIS. All changes will be made by the IT Director or his assigns and will be logged for future reference. The district will also look into logging software or a syslog server to monitor all activities as well as those of the district Technology Department.

Condition 6

The district will research and acquire a secure off-site location for storing SIS data backups.

Status of Prior Audit Findings and Observations

Our prior audit of the Warrior Run School District resulted in no findings or observations.

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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The Honorable Ronald J. Tomalis
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