

WAYNESBORO AREA SCHOOL DISTRICT
FRANKLIN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2009

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

Ms. K. Marilyn Smith, Board President
Waynesboro Area School District
210 Clayton Avenue
Waynesboro, Pennsylvania 17268

Dear Governor Rendell and Ms. Smith:

We conducted a performance audit of the Waynesboro Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 22, 2005 through April 18, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, 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 WASD 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 WASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

March 3, 2009

cc: **WAYNESBORO AREA 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 Waynesboro Area School District (WASD). Our audit sought to answer certain questions regarding the WASD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WASD in response to our prior audit recommendations.

Our audit scope covered the period November 22, 2005 through April 18, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The WASD encompasses approximately 93 square miles. According to 2000 federal census data, it serves a resident population of 28,376. According to WASD officials, in school year 2005-06, the WASD provided basic educational services to 4,088 pupils through the employment of 303 teachers, 133 full-time and part-time support personnel, and 16 administrators. Lastly, the WASD received more than \$17.1 million in state funding in school year 2005-06.

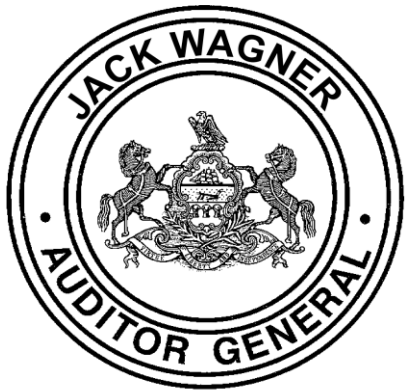
Audit Conclusion and Results

Our audit found that the WASD complied, in all significant respects, with applicable state laws, regulations, 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: Certification Irregularities. Our review of professional employees' certification and assignments found two certification irregularities. As a result, the WASD is subject to subsidy forfeitures totaling \$7,208 (see page 7).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. An outside vendor has remote access into the WASD's network servers, which presents a risk that unauthorized changes to the WASD's critical student accounting applications (membership and attendance) could occur and not be detected (see page 9).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WASD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the WASD had taken appropriate corrective action in implementing our recommendations pertaining to health services reimbursement (see page 13).



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 November 22, 2005 through April 18, 2008, except for certification which was reviewed for the period November 2, 2005 through December 31, 2007.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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 WASD'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?

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.

- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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?
- ✓ 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 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.

WASD 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 meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 9, 2006, we reviewed the WASD's response to DE dated June 21, 2006. We then performed additional audit procedures targeting the previously reported matters.



Finding and Observation

Finding

Public School Code (PSC) Sections relevant to this finding:

24 P.S. § 12-1202 of the PSC provides, in part:

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

24 P.S. § 25-2518 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 Irregularities

Our review of professional employees' certification and assignments for the period November 2, 2005 through December 31, 2007, found two certification irregularities.

An English teacher taught on a lapsed provisional certificate from January of 2006 through December of 2007. The teacher received a permanent English certificate in January of 2008.

An individual employed as a supervisor of special education may have served without a valid supervisory certificate from October of 2006 through April of 2007. The individual was issued emergency certificates as a supervisor of special education in May of 2007 and August of 2007.

Information pertaining to the possible certification irregularities was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE), for its review. BSLTQ consequently confirmed the irregularities; the District is therefore subject to subsidy forfeitures of \$1,271, \$4,577 and \$1,360 for the 2007-08, 2006-07 and 2005-06 school years, respectively.

The irregularities occurred because the District did not have an adequate system in place to determine when provisional certificates lapsed and professional employees did not apply for emergency certificates in a timely manner.

Recommendations

The *Waynesboro Area School District* should:

1. Strengthen the review process for tracking and monitoring the years of service of certified staff with temporary certification to ensure certificates do not lapse.
2. Ensure professional employees obtain proper certification before they are transferred or appointed to new positions.

The *Department of Education* should:

3. In conjunction with BSLTQ's determination, adjust the District's allocations to recover the subsidy forfeitures of \$7,208.

Management Response

Management agreed with one citation but disagreed with the other, stating:

The Waynesboro Area School District agrees with the audit report regarding [Employee A's] lapsed certificate. In order to assure that all teachers are properly certificated at all times, the tracking/maintenance system has been corrected.

However, the Waynesboro Area School District disagrees with the determination that [Employee B] who holds a Mentally and/or Physically Handicapped certification was incorrectly assigned to a supervisory position. [Employee B] spent her time in the capacity of the IST (Instructional Support Teacher) at the Mowrey Elementary School. Further, the IST teacher who was to serve Mowrey and Hooverville Elementary Schools took a medical/maternity leave. Therefore, [Employee B] fulfilled the duties of IST at Mowrey in her stead during the 2006-07 school year. It is the position of the Waynesboro Area School District that [Employee B] did not perform the duties of a supervisor during this time period.

Auditor Conclusion

As stated previously, BSLTQ confirmed the certification irregularities. The finding will stand as written, and any further disagreement on the part of the District must be addressed to DE.

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. It is in contrast to “physical access” which is the ability to actually touch the computer components.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

The Waynesboro Area School District (WASD) 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 they are adequately monitoring all vendor activity in their 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, the 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 following weaknesses as of April 2, 2008, over vendor access to the District’s system:

1. The District 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.

2. The District has certain weaknesses in logical access control. 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; to maintain a password history (i.e., last ten passwords); and to log off the system after a period of inactivity (i.e., 60 minutes maximum).
3. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
4. The District does not have evidence to support they are generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and District employees). There is no evidence to support that the District is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.

Recommendations

The *Waynesboro School District* should:

1. 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.
2. 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); and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

3. 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.
4. Generate monitoring reports (including firewall logs) of vendor and employee 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.

Management Response

Management agreed with some of our recommendations and disagreed with others, as follows:

1. The Waynesboro School District (WASD) has sent its Acceptable Use Policy to the vendor to sign.
2. Changing passwords every 30 days in real life is just impractical, especially if they are required to use the password character requirements specified. The WASD has increased the password size from 3 to 8 characters and required at least 1 numeric digit.

With teacher's classes 90 minutes long, they would have to re-log on every period if they want to stay up to date with inquiries. The WASD has changed inactive log off to 150 minutes. This should carry both teachers and secretaries over inactive periods. The WASD has changed password duplication to 10 as recommended.

3. The vendor has a group of people that take customer trouble calls as they come in, and assign them to the next available support person so they only act as one entity with one user profile for support. The WASD will ask the vendor if assigning unique userIDs to each employee is practical.

4. The WASD has firewall reports, a copy of which was given to our auditor. The only time the vendor accesses our system is under our supervision and authorization, and then to only fix specific problems logged by us. The WASD does have the capabilities of monitoring user jobs. The monitoring report does have the capabilities of monitoring user jobs. The monitoring report does not show enough information to be of significance for tracking purposes.

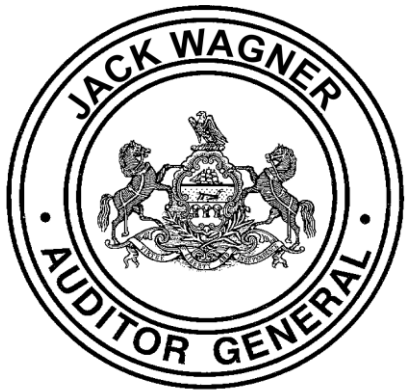
Auditor Conclusion

Due to the sensitive nature of the information in the system, we continue to recommend forced password changes every 30 days, as well as the other logical access settings detailed in this observation.

Status of Prior Audit Findings and Observations

Our prior audit of the Waynesboro Area School District (WASD) for the school years 2003-04, 2002-03, 2001-02 and 2000-01, resulted in one reported finding. The finding pertained to Health Services Reimbursement. As part of our current audit, we determined the status of corrective action taken by the WASD to implement our prior recommendations. We analyzed the WASD Board’s written response provided to the Department of Education, performed audit procedures, and questioned WASD personnel regarding the prior finding. As shown below, we found that the WASD did implement recommendations related to Health Services Reimbursement.

<i>School Years 2003-04, 2002-03, 2001-02 and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding - Errors in Health Services Reimbursement Data Resulted in Reimbursement Underpayments of \$3,948</i></u></p> <ol style="list-style-type: none"> Waynesboro Area School District (WASD) should review health services reimbursement applications prior to submission to the Department of Health (DH) to ensure accurate average daily membership is reported. WASD should review all reports submitted subsequent to the years audited and make the necessary corrections if similar errors occurred. DH should adjust the District’s future allocations to correct the underpayments. 	<p>Background:</p> <p>Our prior audit of the District’s health services data for the 2003-04, 2002-03, 2001-02 and 2000-01 school years found that District personnel incorrectly reported average daily membership to DH. The errors resulted in reimbursement underpayments of \$3,948.</p>	<p>Current Status:</p> <p>Our current audit found that WASD implemented procedures to ensure correct reporting of health services data.</p> <p>Subsequent health services reports were reviewed and found to be correct. Therefore we concluded that the WASD <u>did</u> take appropriate corrective action.</p> <p>As of April 18, 2008, DH had not adjusted the allocation to correct the subsidy underpayments. We again recommend that DH adjust future allocations to correct the underpayments.</p>



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:

The Honorable Edward G. Rendell
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