

CARLYNTON SCHOOL DISTRICT  
ALLEGHENY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2011



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

Thomas Brown, Esq., Board President  
Carlynton School District  
435 Kings Highway  
Carnegie, Pennsylvania 15106

Dear Governor Corbett and Mr. Brown:

We conducted a performance audit of the Carlynton School District (CSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period January 27, 2009 through November 23, 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 CSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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 CSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve CSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the CSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

October 25, 2011

cc: **CARLYNTON SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Carlynton School District (CSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period January 27, 2009 through November 23, 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 CSD encompasses approximately 5 square miles. According to 2000 federal census data, it serves a resident population of 15,559. According to District officials, in school year 2007-08 the CSD provided basic educational services to 1,478 pupils through the employment of 113 teachers, 86 full-time and part-time support personnel, and 10 administrators. Lastly, the CSD received more than \$6.8 million in state funding in school year 2007-08.

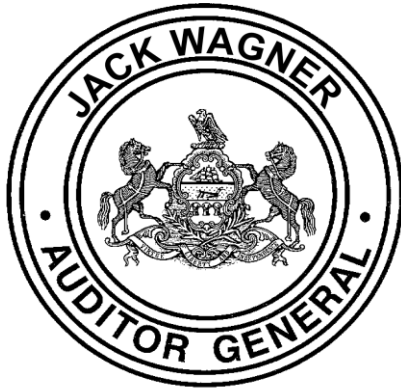
### **Audit Conclusion and Results**

Our audit found that the CSD 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: Memoranda of Understanding Not Updated Timely.** Our review found that CSD hadn't updated its Memoranda of Understanding with local law enforcement agencies since January 3, 2008 (see page 6).

**Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses.** We determined that a risk exists that unauthorized changes to the CSD's data could occur and not be detected (see page 9).

**Status of Prior Audit Findings and Observations.** There were no findings or observations in our prior audit report.





## Audit Scope, Objectives, and Methodology

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### 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 January 27, 2009 through November 23, 2010, except for the verification of professional employee certification which was performed for the period November 26, 2008 through November 23, 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 CSD'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?
- ✓ 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?

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

CSD 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 bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes.

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

## Findings and Observations

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### Finding

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### Memoranda of Understanding Not Updated Timely

*Criteria relevant to the finding:*

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Section VI, General Provisions item (B) of the District's existing MOUs states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our review of the District's records found that the current Memoranda of Understanding (MOU) between the District and its four local law enforcement agencies have not been updated since January 3, 2008.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and local law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on local law enforcement notification and response, and ultimately the resolution of a problem situation.

As a result of our current review, the District updated three of the four local law enforcement agencies' MOUs in October and November of 2010. The District was in the process of updating the last MOU but as of our fieldwork completion date had been unable to obtain the final updated MOU.

### Recommendations

The *Carlynton School District* should:

1. In consultation with the solicitor, review, update and re-execute the current MOU between the District and the remaining local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

**Management Response**

Management stated the following:

The district agrees with this finding.

The requirements are clear and the district, though the MOU's were due in January, did not comply until October. The district respectfully apologizes for this error.

Since the concern of updating the MOU's has been brought to the District's attention, the District has secured and provided to the auditors agreements with [three local law enforcement agencies].

The district requested the same from [the last local law enforcement agency], but the borough has not returned a signed MOU. The district was verbally informed that the Solicitor for the Borough has recommended that the Borough not comply. A minimum of three telephone calls were made to the Chief of Police and the President of Borough Council. In addition, the Carlynton School District Solicitor personally called the Solicitor for the Borough, but received no response.

Since that time, the District has formally written to the President of the . . . Borough Council. It was demonstrated that the borough did sign the exact same MOU in 2008. It was also explained that the MOU is a state, not district, document.

Unfortunately, the Carlynton School District is being held responsible for the action or, in this case, the non-action of others. As local municipalities also receive funds for various [local law enforcement agencies], the Commonwealth may wish to hold the non-responsive party responsible for their decisions.

As was discussed, the Carlynton School District formally updated the district's Emergency Response Guidelines in 2008. This was done as a cooperative effort of law enforcement, members of the district labor force and the administration. This document was recently updated and provided to every member of the professional staff. This information is reviewed annually [with] all employees.

Also, the district recently created a video of all district facilities. The video includes, but is not limited to entrances, classrooms, utility rooms, storage areas, offices and more. Copies of the DVD's are located at various locations throughout the district.

The updated guidelines and copies of the DVD's have also been provided to local law enforcement agencies.

The district has also installed Knox Boxes [early entry system for first responders] at all locations and have provided first responders with the appropriate keys.

The district holds annual evacuation drills of the buildings, evacuation drills of the buses and hold monthly fire drills.

**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 computers systems.

The Carlynton 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 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 District would ever experience personnel and/or procedural 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 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 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., approximately ten passwords); does not lock out users after three unsuccessful attempts; and does not log off the system after a period of inactivity (i.e., 60 minutes maximum).

2. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
3. The District does not store data back-ups in a secure, off-site location.

## **Recommendations**

The *Carlynton School District* 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. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); and lock out users after three unsuccessful attempts.
2. 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.
3. The District should store back-up tapes in a secure, off-site location.

## **Management Response**

Management stated the following:

While the district agrees each of the above recommendations are worthy of consideration, there has been no written requirement by the Commonwealth to formally accept and comply. As a matter of fact, in researching these recommendations in preparation for this response, it was noted that several state agencies do not comply with these recommendations. Specifically, the Department of Education has not required passwords to be changed for a number of years.

Also, while many of the recommendations are worthy of sincere consideration, the funding required to comply remains in question. Currently the law prohibits the state from imposing unfunded mandates. The district



respectfully requests information on methods to fund these recommendations.

Still, in an effort to cooperation the district has planned the following steps:

- All passwords will be changed on an annual basis.
- Passwords will be required to at least eight (8) characters in length.
- The system will be installed to 'lockout' users after three (3) unsuccessful attempts. Re-entry will only be granted through the IT department.
- All systems will be logged out after sixty (60) minutes of inactivity. As classes are currently forty-seven (47) minutes in length, 60 minute period should not interfere with student use.
- It should be noted that the district grade book system logs-out the user after fifteen (15) minutes of inactivity.
- [There is] only [one] vendor with access to the district system. . . . This firm has signed the district's acceptable usage policy (as all district users are required to do). Also, the first screen all users see upon log-in is a shortened version of the acceptable usage policy. Users must agree to these terms with each log on.
- The district is currently working on relocating all back-up data at a secure, off-site location. It is the district's goal to complete this procedure by June 2011.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Carlynton School District resulted in no findings or observations.

## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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

The Honorable Ronald J. Tomalis  
Secretary of Education  
1010 Harristown Building #2  
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Harrisburg, PA 17126

The Honorable Robert M. McCord  
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