

A.W. BEATTIE CAREER CENTER
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2011

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

Mr. Richard Herko
Joint Operating Committee Chairperson
A.W. Beattie Career Center
9600 Babcock Boulevard
Allison Park, Pennsylvania 15101

Dear Governor Corbett and Mr. Herko:

We conducted a performance audit of the A.W. Beattie Career Center (AWBCC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 15, 2007 through October 22, 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 AWBCC 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 AWBCC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve AWBCC's operations and facilitate compliance with legal and administrative requirements. We appreciate the AWBCC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 9, 2011

cc: **A.W. BEATTIE CAREER CENTER** Joint Operating Committee Members

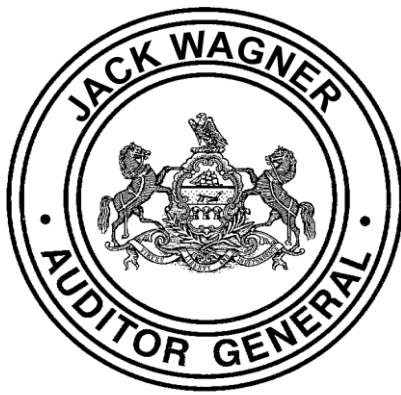
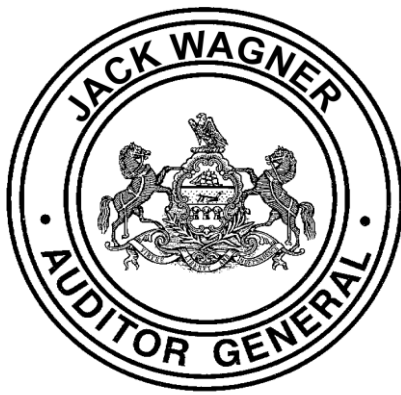


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the A.W. Beattie Career Center (AWBCC). Our audit sought to answer certain questions regarding the career center's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the AWBCC in response to our prior audit recommendations.

Our audit scope covered the period June 15, 2007 through October 22, 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.

School Background

According to School officials, in school year 2007-08 the AWBCC provided educational services to 651 secondary pupils and 2 post-secondary pupils through the employment of 40 teachers, 26 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 comprises 18 members from the following school districts:

Avonworth
Deer Lakes
Fox Chapel Area
Hampton Township

Northgate
North Hills
North Allegheny
Pine-Richland
Shaler Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a one year term. Lastly, the AWBCC received more than \$626 thousand in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the AWBCC 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. An outside vendor has remote access into AWBCC network servers, which presents a risk that unauthorized changes to AWBCC critical student accounting applications (membership and attendance) could occur and not be detected (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the AWBCC, we found the career center had taken appropriate corrective action in implementing our recommendations

pertaining to a Memorandum of Understanding that was not updated timely (see page 9).

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 June 15, 2007 through October 22, 2010, except for the verification of professional employee certification which was performed for the period March 31, 2007 through September 22, 2010.

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 Department of Education (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

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 AWBCC'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?
- ✓ 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?
- ✓ 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?
- ✓ Did the School use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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?

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.

AWBCC 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 pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 19, 2007, we reviewed the AWBCC's response to DE dated February 18, 2009. 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 A.W. Beattie Career Center uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the career center’s network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the career center’s data could occur and not be detected because the school was unable to provide supporting evidence that it is adequately monitoring vendor activity in its system. However, since the career center has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, that risk is mitigated. Attendance and 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 career center would ever experience personnel and/or procedure changes that could reduce the effectiveness of manual controls. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the career center’s membership information and result in the career center not receiving the funds to which it was entitled from the state.

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

1. The career center does not require written authorization before adding, deleting, or changing a userID.
2. The career center does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
3. The career center has certain weaknesses in logical access controls. We noted that the career center’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 to use passwords that include alpha, numeric and special characters.

4. The vendor has unlimited access (24 hours a day/7 days a week) into the career center's system.
5. The career center does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and career center employees). There is no evidence that the career center is performing procedures to determine which data the vendor may have altered or which vendor employees accessed the system.
6. The career center does not require written authorization prior to the updating/upgrading where the servers with the membership/attendance data reside.
7. The career center does not have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside.
8. The career center has certain weaknesses in environmental controls in the room that contains the server that houses all of the career center's data. We noted that the specific location does not have fire detection/fire suppression equipment.

Recommendations

The *A. W. Beattie Career Center* should:

1. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
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); to use passwords that are a minimum length

of eight characters; and to use passwords that include alpha, numeric and special characters.

4. 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.
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 career center should review these reports to determine that the access was appropriate and that data was not improperly altered. The career center should also ensure it is maintaining evidence to support this monitoring and review.
6. Ensure that the upgrades/updates to the career center's system are made only after receipt of written authorization from appropriate career center officials.
7. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
8. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the career center should install fire detectors/fire extinguishers in the computer room.

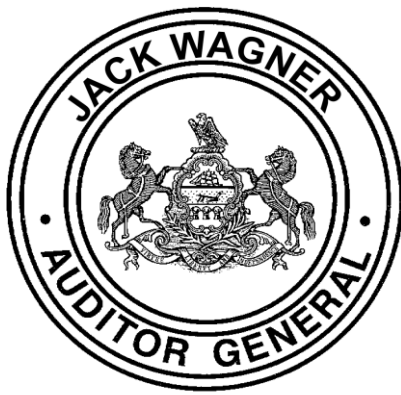
Management Response

Management provided a response indicating agreement with the observation and making no further comment.

Status of Prior Audit Findings and Observations

Our prior audit of the A.W. Beattie Career Center (AWBCC) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to the Memorandum of Understanding (MOU) not being updated. As part of our current audit, we determined the status of corrective action taken by the career center to implement our prior recommendations. We analyzed the AWBCC Joint Operating Committee’s written response provided to the Department of Education, performed audit procedures, and questioned Career center personnel regarding the prior observation. As shown below, we found that the AWBCC did implement recommendations related to the observation.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	Implementation Status	
<p><i><u>I. Observation:</u></i> <i><u>Memorandum of Understanding Not Updated Timely</u></i></p> <ol style="list-style-type: none"> Continue to review, update and re-execute the current MOU with its local law enforcement agencies. Adopt a policy requiring the administration to review and re-execute the MOU every two years. 	<p>Background:</p> <p>Our prior audit of the center’s records found that the center had on file a properly signed MOU with its local law enforcement agencies; however, the MOU had not been updated since June 16, 2000. After we brought this to the attention of management, an updated MOU was obtained.</p>	<p>Current Status:</p> <p>Our current audit found the career center has implemented our recommendations and updated the MOU in August of 2009.</p> <p>Based on our current audit, we determined the career center did take appropriate corrective action.</p>



Distribution List

This report was initially distributed to the career center superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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