

ALQUIPPA SCHOOL DISTRICT
BEAVER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Edward Palombo, Board President
Aliquippa School District
100 Harding Avenue
Aliquippa, Pennsylvania 15001

Dear Governor Rendell and Mr. Palombo:

We conducted a performance audit of the Aliquippa School District (ASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 2, 2008 through April 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 ASD 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. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

December 13, 2010

cc: **ALQUIPPA 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 Aliquippa School District (ASD). 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 ASD in response to our prior audit recommendations.

Our audit scope covered the period May 2, 2008 through April 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 ASD encompasses approximately 4 square miles. According to 2000 federal census data, it serves a resident population of 11,734. According to District officials, in school year 2007-08 the ASD provided basic educational services to 1,170 pupils through the employment of 124 teachers, 74 full-time and part-time support personnel, and 9 administrators. Lastly, the ASD received more than \$18.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the ASD 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.

Finding: Certification Deficiency. Our audit found that one employee was assigned to a position without proper certification (see page 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the ASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the ASD has taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8) and an untimely Memorandum of Understanding (see page 10).



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 2, 2008 through April 23, 2010, except for verification of professional employee certification which was performed for the period, March 1, 2008 through March 31, 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 (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 ASD'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?
- ✓ 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.

ASD 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, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 27, 2009, we reviewed the ASD's response to DE dated December 10, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) provides, in part:

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

Section 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 Deficiency

Our current audit of certificates and assignments of professional personnel for the period March 1, 2008 through March 31, 2010, found that one teacher was assigned to a position without proper certification. The deficiency occurred during the 2008-09 school year and the first two months of the 2009-10 school year, at which point the teacher obtained the proper certification.

Information pertaining to the questionable certificates was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE), for its review. BSLTQ subsequently determined that the teacher was not properly certified; the District was therefore subject to subsidy forfeitures of \$348 and \$1,492 for the 2009-10 and 2008-09 school years, respectively.

Recommendations

The *Aliquippa School District* should:

1. Review the assignments of all employees and reassign positions, if necessary, to comply with certification requirements established by DE.
2. Hire only individuals holding valid certificates for the subjects or positions to which they are assigned.

The *Department of Education* should:

3. Adjust the District's allocations to recover the subsidy forfeitures of \$1,840.

Management Response

Management stated the following:

[The teacher] has attained a reading specialist certificate to correct this finding.

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Status of Prior Audit Findings and Observations

Our prior audit of the Aliquippa School District (ASD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to the unmonitored vendor system access and logical access control weaknesses, and the second observation concerned a Memorandum of Understanding (MOU) not being updated in a timely manner. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the ASD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the ASD did implement recommendations related to both observations.

<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 No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Generate reports (including firewall logs) of vendor and employee access and activity on the District’s system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the changes. The District should review these reports to determine that the access was appropriate and that the data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review. 2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District’s system. 	<p>Background:</p> <p>During our prior audit, we determined that a risk existed 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 was adequately monitoring all vendor activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that:</p> <ol style="list-style-type: none"> 1. The District now generates access reports that show the date, time and reason for access both locally and remotely. The District also requires ticket requests for any vendor work on District’s system. 2. All vendors have unique logins to the District’s student database system that are unique for purpose of accessing the system for updates and necessary software changes. Remote access is allowed when the District grants access via email, a phone call or software remote programs. 3. Due to the nature of recurring and constant updates, the vendor access is constant. However, the vendors

<p>3. Allow access to the system only when the vendor needs 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.</p> <p>4. Develop a contract with the vendor that contains a non-disclosure agreement for the District's proprietary information.</p> <p>5. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>6. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.</p> <p>7. Develop an Acceptable Use Policy that includes provisions for privacy (e.g., monitoring of electronic mail, access to files).</p> <p>8. 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 use passwords that are a minimum length of eight characters and include alpha, numeric and special characters. Also, the District should</p>		<p>have signed disclosure agreements with the District agreeing to privacy laws to protect the database.</p> <p>4. The District has a signed privacy disclosure agreement with the vendor.</p> <p>5. District policy requires a terminated employee's account to be disabled during a break in employment or deleted if a termination occurs. This is done within two days of the layoff or termination. Network databases are compared to current staff on a regular basis.</p> <p>6. All users, including students, must sign the board approved Acceptable Use Policy for network and internet usage. A user may request a password reset by calling the help desk. A user may email a request to the network administrator to have his/her password reset. Generic passwords must be reset on the next login.</p> <p>7. The board has approved an Acceptable Use Policy and subscribes to three years of off-site email retention services. The District maintains a snap backup onsite and is in the process of purchasing off-site storage for file retention of employees.</p>
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<p>maintain a password history that will prevent the use of repetitive passwords (i.e., last ten passwords).</p> <p>9. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.</p>		<p>8. Users are required to reset passwords every 90 days using the following criteria:</p> <ul style="list-style-type: none"> • 6-8 characters are required; • must contain at least one special character or symbol; • must contain at least one number; • the user name may not be used in the password; and • users are encouraged to create a unique password for every creation. <p>9. Vendors have signed agreements that protect the privacy of students and staff.</p>
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<p><i>II. Observation No. 2: Memorandum of Understanding Not Timely Updated</i></p> <p>1. Review, update and re-execute the MOU with the local law enforcement agency.</p> <p>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>	<p>Background:</p> <p>Our prior audit of the District's records found that the MOU with the local law enforcement agency was signed September 9, 1998, and had not been updated since.</p>	<p>Current Status:</p> <p>Our current audit found that the District updated and re-executed the MOU as recommended. The District also adopted a policy requiring the administration to review and re-execute the MOU every two years.</p>
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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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