

ALLEGHENY VALLEY SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2010

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

Mr. Scott Redman, Board President
Allegheny Valley School District
300 Pearl Avenue
Cheswick, Pennsylvania 15024

Dear Governor Rendell and Mr. Redman:

We conducted a performance audit of the Allegheny Valley School District (AVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 24, 2008 through March 11, 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 AVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the AVSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 4, 2010

cc: **ALLEGHENY VALLEY 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 Allegheny Valley School District (AVSD). 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 AVSD in response to our prior audit recommendations.

Our audit scope covered the period April 24, 2008 through March 11, 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 AVSD encompasses approximately 10 square miles. According to 2000 federal census data, it serves a resident population of 10,771. According to District officials, in school year 2007-08 the AVSD provided basic educational services to 1,193 pupils through the employment of 92 teachers, 79 full-time and part-time support personnel, and 11 administrators. Lastly, the AVSD received more than \$4.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the AVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the AVSD resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the AVSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the AVSD had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 7).



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 April 24, 2008 through March 11, 2010, except for:

- The verification of professional employee certification which was performed for the period July 1, 2009 through March 11, 2010.
- The review of outside vendor access to the District's student accounting applications which was completed on January 27, 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

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 AVSD'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?

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.

- ✓ 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 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.

AVSD 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 Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Allegheny Valley School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Allegheny Valley School District (AVSD) for the school years 2005-06 and 2004-05 resulted in one observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the AVSD did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

<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: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Include in the contract with the vendor a non-disclosure agreement for the District's propriety information. 2. Include in the District's Acceptable Use Policy provisions for violation/incidents (what is to be reported and to whom). 3. Establish separate information technology (IT) policies and procedures for controlling the activities of the Central Susquehanna Intermediate Unit #16 (CSIU) and have the CSIU sign this policy, or require the CSIU to sign the District's Acceptable Use Policy. 4. 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 	<p>Background:</p> <p>The AVSD uses software purchased from CSIU for its critical student accounting applications (membership and attendance). CSIU has remote access into the District's network servers.</p> <p>During the 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 CSIU and remote activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found the District implemented our prior recommendations, as follows:</p> <ol style="list-style-type: none"> 1. The District has a current contract with a non-disclosure agreement for the District's propriety information. 2. The District has an Acceptable Use Policy with provisions for any violations. The teachers sign this upon hiring at the Teacher Academy, and the students and parents sign at the beginning of the year. 3. The District has separate procedures for controlling activities of CSIU. CSIU has to log in via the District. Also, the District maintains an audit log to verify all access to the system. 4. The District has a security component in place for all users to limit the student applications they have

<p>eight characters and includes 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 past words); lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p> <p>5. Require the vendor to assign a unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with remote access to its data and to ensure that changes to the data are made only by authorized vendor representatives</p> <p>6. Generate monitoring reports (including firewall logs) of CSIU and employee access and activity on the system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s).</p> <p>7. Store back-ups in a secure off-site location.</p> <p>8. To mitigate IT control weaknesses, formally document compensating controls that would allow the District to detect unauthorized changes to membership database in a timely manner.</p>		<p>access to or privileges. The privileges are defined based on the user and function. All District users must change their passwords every 30 days. Passwords do have a minimum length and must include alpha and numeric characters. The District does not allow the use of repetitive passwords. The system locks out users after three unsuccessful attempts and logs users off the system after a period of inactivity.</p> <p>5. The vendor uses a group userID for vendor employees authorized to access the District system. However, an activity log is in place to monitor access granted to CSIU by the District.</p> <p>6. The District maintains a firewall log and activity log of CSIU and employee access and activity on its system. Also, the District uses a work order form with CSIU to request access.</p> <p>7. The District uses magnetic tapes and mirrored images, which it stores in the high school safe and administration. The use of these sites are rotated and on a mirrored drive.</p> <p>8. The compensating controls that would allow the District to detect unauthorized changes to membership database are the review done by the building secretaries and principals.</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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