

BEAVER COUNTY CAREER AND TECHNOLOGY CENTER

BEAVER COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

NOVEMBER 2010

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

Mr. Dennis Bloom, Joint Operating Committee Chairperson
Beaver County Career and Technology Center
145 Poplar Drive
Monaca, Pennsylvania 15061

Dear Governor Rendell and Mr. Bloom:

We conducted a performance audit of the Beaver County Career and Technology Center (BCCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 27, 2007 through May 28, 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 BCCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter 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 BCCTC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BCCTC's operations and facilitate compliance with legal and administrative requirements. We appreciate the BCCTC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 24, 2010

cc: **BEAVER COUNTY CAREER AND TECHNOLOGY CENTER** Joint Operating
Committee Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	5
Observation - Unmonitored Vendor System Access and Logical Control Weaknesses	5
Status of Prior Audit Findings and Observations	7
Distribution List	9



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Beaver County Career and Technology Center (BCCTC). Our audit sought to answer certain questions regarding BCCTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period April 27, 2007 through May 28, 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 BCCTC provided educational services to 583 secondary pupils through the employment of 23 teachers, 23 full-time and part-time support personnel, and 3 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of fifteen members from the following school districts:

Aliquippa	Midland Borough
Ambridge Area	Monaca
Beaver Area	New Brighton Area
Big Beaver Falls Area	Riverside Beaver County
Blackhawk	Rochester Area
Center Area	South Side Area
Freedom Area	

Hopewell Area

Western Beaver County

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the BCCTC received more than \$554,000 in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the BCCTC 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. We determined that a risk exists that unauthorized changes to the BCCTC's data could occur and not be detected because the BCCTC was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 5).

Status of Prior Audit Findings and Observations. Our prior audit of school years ended June 30, 2006 and 2005 contained no findings or observations.



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 27, 2007 through May 28, 2010, except for the verification of professional employee certification which was performed for the period April 1, 2007 to March 31, 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 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 BCCTC'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?
- ✓ 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?
- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ 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?

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.

BCCTC 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.

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.

Our audit examined the following:

- Professional employee certification and financial stability.
- Items such as meeting minutes.

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

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 Control Weaknesses

The Beaver County Career and Technology Center (BCCTC) uses software purchased from a vendor for its critical student accounting applications (membership and attendance). The vendor has remote access into BCCTC’s network servers.

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

During our review, we found BCCTC had the following weaknesses over access to BCCTC’s system:

1. The BCCTC does not have evidence that it is reviewing monitoring reports of user remote access and activity on the system.
2. The BCCTC does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.

3. The BCCTC does not require written authorization prior to the updating/upgrading of key applications or changing user data.
4. The BCCTC doesn't require the vendor to sign the BCCTC's Acceptable Use Policy.
5. The BCCTC has certain weaknesses in logical access controls. We noted that the BCCTC's system parameter settings do not require all users, including the vendor, to use passwords that are a minimum length of eight characters.

Recommendations

The *Beaver County Career and Technology Center* should:

1. Document its review of the monitoring reports to determine that the access was appropriate and that data was not improperly altered. The BCCTC should also ensure it is maintaining evidence to support this monitoring and review.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Upgrades/updates to the BCCTC's system should be made only after receipt of written authorization from appropriate BCCTC officials.
4. 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 BCCTC's Acceptable Use Policy.
5. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight characters.

Management Response

Management stated the following:

We will respond to the recommendations when the audit report is received.

Status of Prior Audit Findings and Observations

Our prior audit of the Beaver County Career and Technology Center for the school years 2005-06 and 2004-05 resulted in no findings or observations.



Distribution List

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

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

The Honorable Thomas E. Gluck
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Senator Jeffery Piccola
Chair
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
Director, Bureau of Budget and Fiscal
Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

