

BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mrs. Carol Emrick, Board President  
Brandywine Heights Area School District  
200 West Weis Street  
Topton, Pennsylvania 19562

Dear Governor Rendell and Mrs. Emrick:

We conducted a performance audit of the Brandywine Heights Area School District (BHASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period May 4, 2007 through August 10, 2009, 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 BHASD 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 BHASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve BHASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the BHASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 26, 2010

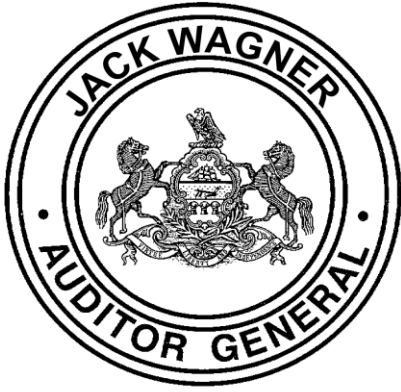
cc: **BRANDYWINE HEIGHTS AREA SCHOOL DISTRICT** Board Members

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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 Brandywine Heights Area School District (BHASD). 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 BHASD in response to our prior audit recommendations.

Our audit scope covered the period May 4, 2007 through August 10, 2009, 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**

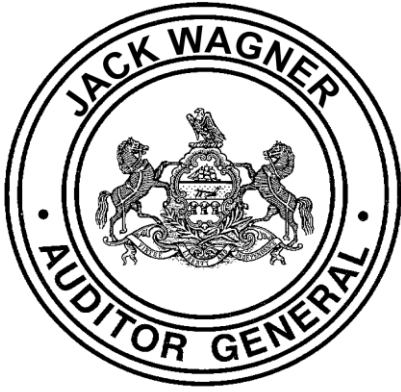
The BHASD encompasses approximately 52 square miles. According to 2000 federal census data, it serves a resident population of 12,804. According to District officials, in school year 2007-08 the BHASD provided basic educational services to 1,857 pupils through the employment of 148 teachers, 109 full-time and part-time support personnel, and 13 administrators. Lastly, the BHASD received more than \$7.9 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the BHASD 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 noted that BHASD personnel should improve controls over remote access to its computers. In particular, control should be strengthened over outside vendor access to the student accounting applications (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the BHASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the BHASD had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 9).





## 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 May 4, 2007 through August 10, 2009.

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

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 BHASD'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?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

BH 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 5, 2007, we determined that BHASD was not required to respond to DE. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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### 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 computer systems.

The Brandywine Heights Area School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District’s entire computer system, including all its data and the above software are maintained on the Berks County Intermediate Unit #14 (BCIU) servers which are physically located at the BCIU. The District has remote access into the BCIU’s network servers, with the BCIU providing system maintenance and support.

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 they are adequately monitoring all vendor activity in their system. However, since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the District would ever experience personnel and/or procedure 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 contract with the vendor did not contain a non-disclosure agreement for the District’s proprietary information.

2. The District's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
3. The District does not require written authorization before adding, deleting, or changing a userID.
4. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
5. 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 their passwords every 30 days and to use passwords that are a minimum length of eight characters.
6. The BCIU has unlimited access (24 hours a day/7 days a week) into the District's system.

## **Recommendations**

The *Brandywine Heights Area School District* should:

1. Ensure that the contract with the vendor contains a non-disclosure agreement for the District's proprietary information.
2. Require the District's Acceptable Use Policy to include provisions for authentication (password security and syntax requirements).
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. 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.

6. Only allow access to their system when the BCIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the BCIU has completed its work. This procedure would also enable the monitoring of BCIU changes.

**Management Response**

Management stated the following:

1. The contract with BCIU will be revised to include a non-disclosure agreement for the district's proprietary information. This was not previously addressed due to the close working relationship between BCIU and the district
2. Our acceptable use policy for staff will be revised to include authentication. Password security and syntax requirements are currently in place but not reflected in the policy.
3. A procedure will be developed requiring written authorization for adding, changing or deleting a userID.
4. Documentation that terminated employees were removed from the system will be maintained.
5. Currently all users must reset their passwords every 90 days at both the BHASD Novell login level and the BCIU e-school login level. We believe a password change every 90 days provides the desired level of security. Also the e-school 90 reset is per BCIU policy applicable to all Berks County Schools.
6. BCIU access to our system is frequent and critical to our operations. The recommendation for the district to allow/remove access for every BCIU task would be cumbersome and unproductive. BCIU is not viewed as a threat to our student membership data.

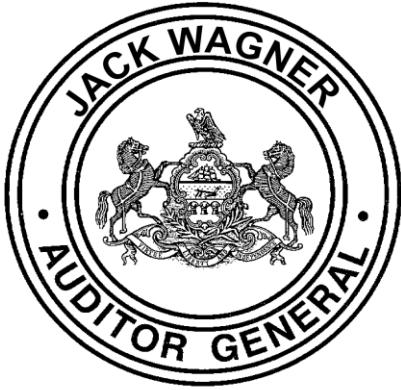
**Auditor Conclusion**

The conditions and recommendations stated above represent the information communicated to the auditor during our fieldwork. Any subsequent improvements or changes in management representations will be evaluated in the subsequent audit. The observation remains as presented.

## Status of Prior Audit Findings and Observations

Our prior audit of the Brandywine Heights Area School District for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to certification. 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 finding. As shown below, we found that the BHASD did implement recommendations related to certification.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding: Possible Certification Deficiency</u></i></p> <ol style="list-style-type: none"> <li>Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.</li> <li>Implement a system of control that would evidence invalid certificates.</li> <li>The Department of Education (DE) should adjust the District's allocation to recover any subsidy forfeiture deemed necessary.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that one teacher was employed during the first semester of the 2006-07 school year without a valid teaching certificate for his assignment. The teacher applied for a certificate and was issued a secondary school guidance certificate on February 1, 2007. DE issued a secondary certificate when in fact he applied for an elementary certificate. This error was resolved by DE on March 27, 2007; however, the certificate shows an issue date of February 1, 2007.</p>	<p><b>Current Status:</b></p> <p>We followed up on the BHASD's certification records and found that the District <u>did</u> take appropriate corrective action to ensure the superintendent assigned positions to professional personnel who hold appropriate certification to qualify for the assignment. Furthermore, the superintendent implemented a system of control that would evidence invalid certificates.</p> <p>DE adjusted the District's allocations on May 30, 2008, to recover the \$1,582 subsidy forfeiture.</p>





## **Distribution List**

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State Treasurer  
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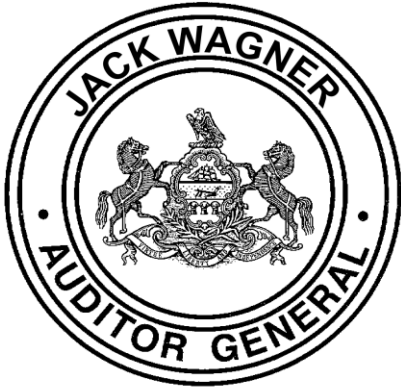
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