

CHARTIERS-HOUSTON SCHOOL DISTRICT  
WASHINGTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

DECEMBER 2009



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

Mr. Richard M. Hall, Board President  
Chartiers-Houston School District  
2020 West Pike Street  
Houston, Pennsylvania 15342

Dear Governor Rendell and Mr. Hall:

We conducted a performance audit of the Chartiers-Houston School District (CHSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period October 20, 2006 through April 16, 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, 2007, 2006 and 2005. 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 CHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, one matter unrelated to compliance is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

December 11, 2009

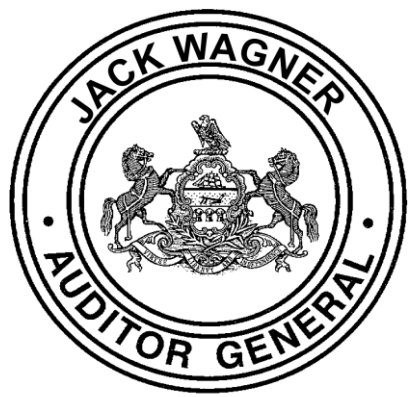
cc: **CHARTIERS-HOUSTON SCHOOL DISTRICT** Board Members

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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 Chartiers-Houston School District (CHSD). 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 CHSD in response to our prior audit recommendations.

Our audit scope covered the period October 20, 2006 through April 16, 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, 2006-07, 2005-06 and 2004-05.

### **District Background**

The CHSD encompasses approximately 25 square miles. According to 2003 local census data, it serves a resident population of 8,576. According to District officials, in school year 2007-08 the CHSD provided basic educational services to 1,149 pupils through the employment of 85 teachers, 39 full-time and part-time support personnel, and 7 administrators. Lastly, the CHSD received more than \$6.3 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

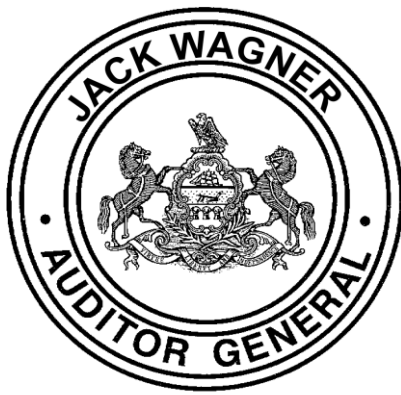
Our audit found that the CHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

#### **Observation: Unmonitored Vendor System Access and Logical Access**

**Control Weaknesses.** We determined that a risk exists that unauthorized changes to the CHSD's data could occur and not be detected because the CHSD was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 6).

#### **Status of Prior Audit Findings and**

**Observations.** With regard to the status of our prior audit recommendations to the CHSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the CHSD had taken appropriate corrective action in implementing our recommendations pertaining to violations of the Public Official and Employee Ethics Act (see page 10) and the administrative policies regarding bus drivers (see page 11).





## 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 October 20, 2006 through April 16, 2009, except for the verification of professional employee certification which was performed for the period September 1, 2006 through April 1, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 CHSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable 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.

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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?
- ✓ 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 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.

CHSD 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.
- Deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with the CHSD's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 12, 2007, we reviewed the CHSD's response to DE dated January 19, 2009. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation

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*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 Charters-Houston School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the District’s network servers.

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 it is adequately monitoring all vendor activity in its 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 District’s Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
2. The District does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the District’s Acceptable Use Policy.

3. 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; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e. last ten passwords); and to log off the system after a period of inactivity (i.e., 60 minutes maximum).
4. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
5. The District does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence that the District is performing procedures to determine which data the vendor may have altered or which vendor employees accessed the system.
6. The District has certain weaknesses in environmental controls in the room that contains the server that houses all of the District's data. We noted that the specific location does not have fire suppression equipment.

## **Recommendations**

The *Chartiers-Houston School District* should:

1. Include in its Acceptable Use Policy provisions for authentication (password security and syntax requirements).
2. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy.

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). Passwords should be a minimum length of eight characters and include 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 passwords); and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
4. Allow access to its 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 District should review these reports to determine that the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.
6. 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 District should install fire extinguishers in the computer room.

**Management Response**

Management stated the following:

Upon approval of the 2009-2010 school district budget by the School Board, many of the issues raised with respect to logical access controls will be updated as the school district upgrades its computer system software . . . . By doing this upgrade, the school district Technology Coordinator will have many more controls to monitor activity within the system than what [the current software] has to offer.

The school district will accept the recommendations from the auditors and implement them whenever possible. The Technology Coordinator will work with Administration to supplement these corrections. The Technology Coordinator has already started monitoring on a daily basis the activity from outside sources such as our software support vendors . . . . The school district will review its Acceptable Use Policy and implement IT policies for controlling the activities of such vendors.

With respect to the environmental controls in the Technology Coordinator's office that houses the server for all the district's data, the school district did install an air-conditioning unit two (2) years ago that keeps the environment in the room at a comfortable temperature and suitable for all the computer equipment. The Business Manager is working with the Buildings & Grounds Supervisor at this time to have a fire extinguisher(s) installed in the Technology Coordinator's office.

## Status of Prior Audit Findings and Observations

Our prior audit of the Charters-Houston School District (CHSD) for the school years 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to violations of the Public Official and Employee Ethics Act (Ethics Act), and the observation pertained to administrative policies regarding bus drivers' qualifications. 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 CHSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the CHSD did implement our recommendations related to the Ethics Act and administrative policies.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Violations of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests.</li> <li>2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.</li> </ol>	<p><b>Background:</b></p> <p>Our prior review of District records found that for the 2005 and 2003 calendar years one and three board members, respectively, failed to file a Statement of Financial Interests.</p>	<p><b>Current Status:</b></p> <p>Our current review for 2006, 2007 and 2008 found that all board members had their Statements of Financial Interests on file at the District.</p> <p>Based on the results of our current audit, we concluded the District <u>did</u> take appropriate corrective action.</p>



<p><u><i>I. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> <li>1. Develop a process to determine, on a case-by-case basis, whether prospective employees of the District or the District's transportation contractors have been convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</li> <li>2. Implement written policies and procedures to ensure that the District is notified when drivers of the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.</li> </ol>	<p><b>Background:</b></p> <p>Neither the District nor the transportation contractor had written policies or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current review found that the District has a contract with the bus contractor through 2013 recommending that the drivers have their criminal history and child abuse clearances renewed at the time of renewing their license.</p> <p>Based on the results of our current audit, we concluded the District <u>did</u> take appropriate corrective action.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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Secretary of Education  
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Harrisburg, PA 17126

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

Senator Jeffrey Piccola  
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173 Main Capitol Building  
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Senator Andrew Dinniman  
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Representative James Roebuck  
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