

CHARTIERS VALLEY SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

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

Ms. Beth McIntyre, Board President
Chartiers Valley School District
2030 Swallow Hill Road
Pittsburgh, Pennsylvania 15220

Dear Governor Rendell and Ms. McIntyre:

We conducted a performance audit of the Chartiers Valley School District (CVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 16, 2007 through December 21, 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 CVSD 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 CVSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve CVSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the CVSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

September 3, 2010

cc: **CHARTIERS 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 Chartiers Valley School District (CVSD). 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 CVSD in response to our prior audit recommendations.

Our audit scope covered the period November 16, 2007 through December 21, 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 CVSD encompasses approximately 18 square miles. According to 2000 federal census data, it serves a resident population of 29,119. According to District officials, in school year 2007-08 the CVSD provided basic educational services to 3,471 pupils through the employment of 264 teachers, 255 full-time and part-time support personnel, and 22 administrators. Lastly, the CVSD received more than \$9.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CVSD 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 CVSD's data could occur and not be detected because the CVSD 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 CVSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the CVSD had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 8) and the Memoranda of Understanding with local law enforcement agencies (see page 9).



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 November 16, 2007 through December 21, 2009, except for:

- The verification of professional employee certification which was performed for the period January 1, 2007 through December 15, 2009.
- The review of outside vendor access to the District's student accounting applications which was completed on December 15, 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 CVSD'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?

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?
- ✓ 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

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.

CVSD 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

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.

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 bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes, and reimbursement applications.
- deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 3, 2008, we reviewed the CVSD's response to DE dated May 28, 2009. We then performed additional audit procedures targeting the previously reported matters.

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 Access Control Weaknesses

The Chartiers Valley 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.

Since the District has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, 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 the District would ever experience personnel and/or procedure changes that could reduce the effectiveness of 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 has the following weaknesses over vendor access to the District system:

- 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.

- 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 does not maintain a password history to prevent the use of repetitive passwords (i.e. approximately last ten passwords).

Recommendations

The *Chartiers Valley School District* should:

1. Establish separate IT 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.
2. Implement a security policy and system parameter settings to require all users to change their passwords on a regular basis (i.e. every 30 days), and to maintain a password history that will prevent the use of a repetitive password (i.e. last ten passwords).

Management Response

Management stated the following:

The District will reserve the right to respond to this observation once we receive the written report.

Status of Prior Audit Findings and Observations

Our prior audit of the Charters Valley School District (CVSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two findings reported. The first finding pertained to a certification deficiency and the second pertained to the failure to obtain Memoranda of Understanding (MOU) from local law enforcement agencies. 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 CVSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the CVSD did implement recommendations related to certification and the MOU.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i>I. Finding No. 1:</i> <i>Certification Deficiency</i></p> <ol style="list-style-type: none"> 1. Put procedures in place to compare employees' certifications to the certification requirements of the assignments the District intends to give the employee. 2. Require the individual cited to obtain proper certification for the assignment or reassign him to a position for which he holds proper certification. 3. DE should adjust the District's allocations to recover subsidy forfeitures of \$11,827. 	<p>Background:</p> <p>Our prior audit of the professional employees' certificates and assignments for the period March 4, 2004 through December 31, 2006, found that one employee was assigned to a position without processing proper certification, resulting in subsidy forfeitures totaling \$11,827.</p>	<p>Current Status:</p> <p>Our current audit found that the employee was reassigned to a position that does not require a certificate. The District appealed the finding to reduce the subsidy forfeiture. DE agreed to a final subsidy forfeiture of \$5,912, which DE assessed in December of 2009.</p> <p>Based on our current audit, we determined the District did take appropriate corrective action.</p>

<p><u>II, Finding No. 2: District Had No Memoranda of Understanding with Local Law Enforcement Agencies of File</u></p> <ol style="list-style-type: none">1. In consultation with the District’s solicitor, execute new MOUs between the District and the local law enforcement agencies where District buildings are located.2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.	<p>Background:</p> <p>Our prior audit found that the District could not locate the MOUs with the four local police departments.</p>	<p>Current Status:</p> <p>The District currently has all MOUs on file from the four police departments that would be first responders in an emergency.</p> <p>Based on our current audit, we determined the District did take appropriate corrective action.</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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