

COLUMBIA-MONTOUR AREA VOCATIONAL-TECHNICAL SCHOOL

COLUMBIA COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

OCTOBER 2011

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Robert J. Fogarty
Joint Operating Committee Chairperson
Columbia-Montour Area Vocational-Technical School
5050 Sweppenheiser Drive
Bloomsburg, Pennsylvania 17815

Dear Governor Corbett and Mr. Fogarty:

We conducted a performance audit of the Columbia Montour Area Vocational-Technical School (CMAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 17, 2009 through April 29, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 CMAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified two matters unrelated to compliance that is reported as observations. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

October 25, 2011

cc: **COLUMBIA MONTOUR AREA VOCATIONAL-TECHNICAL SCHOOL**
Joint Operating Committee Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Columbia Montour Area Vocational Technical School (CMAVTS). Our audit sought to answer certain questions regarding the AVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period April 17, 2009 through April 29, 2011, 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 2009-10 and 2008-09.

School Background

According to School officials, in school year 2009-10 the CMAVTS provided educational services to 658 secondary pupils and 359 post-secondary pupils through the employment of 48 teachers, 33 full-time and part-time support personnel, and 5 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 14 members from the following school schools:

Benton Area	Danville Area
Berwick Area	Millville Area
Bloomsburg Area	Southern Columbia Area
Central Columbia	

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the AVTS received \$844,573 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the CMAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two matters unrelated to compliance that are reported as observations.

Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses.

We noted that the CMAVTS personnel should improve controls over remote access to its computers. In particular controls should be strengthened over outside vendor access to the student accounting applications (see page 6).

Observation No. 2: Memorandum of Understanding Not Updated Timely.

We noted that the CMAVTS should update its Memorandum of Understanding (MOU) with the local police department. School policy should require that the MOU be updated every two years (see page 11).

Status of Prior Audit Findings and Observations.

There were no findings or observations in our prior audit report.



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 17, 2009 through April 29, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 CMAVTS'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:

- ✓ In areas where the School receives state subsidy and reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ 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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

CMAVTS 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, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Financial stability.
- Items such as meeting minutes and reimbursement applications.

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

Findings and Observations

Observation No. 1

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 Columbia Montour Area Vocational-Technical School (CMAVTS) uses software purchased from a vendor for its critical student accounting applications (membership and attendance). The vendor continues to have remote access into the CMAVTS’s network servers.

During our audit, we found that the CMAVTS had weaknesses dealing with the vendor’s access into the CMAVTS’s system. Based on our current year procedures, we determined that a risk still exists whereas unauthorized changes to the CMAVTS’s data could occur and not be detected. This stems from the CMAVTS’s inability to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the CMAVTS still has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. 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 CMAVTS would ever move into an entirely paperless future with decentralized direct entry of data into their systems. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the CMAVTS’s membership information and result in the CMAVTS not receiving the funds to which it was entitled from the state.

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

1. The School does not have a fully executed maintenance agreement on file.

2. The contract with the vendor did not contain a non-disclosure agreement for the School's proprietary information.
3. The contract with the vendor was not reviewed by the School's legal counsel.
4. All School employees are not required to sign that they agree to abide by the information technology (IT) Security Policy.
5. The School does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the School's Acceptable Use Policy.
6. The School does not require written authorization before adding, deleting, or changing a userID.
7. The School does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
8. The School has certain weaknesses in logical access controls. We noted that the School'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., approximately ten passwords); to lock out users after three unsuccessful attempts and to log off the system after a period of inactivity (i.e., 60 minutes maximum).
9. The School does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including vendor). There is no evidence to support that the School is performing procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.

10. The School does not require written authorization prior to the updating/upgrading of key applications or changing user data.

Recommendations

The *Columbia Montour Area Vocational-Technical School* should:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Maintain a contract with the vendor that contains a non-disclosure agreement for the School's proprietary information.
3. Maintain a contract with the vendor that is reviewed by legal counsel.
4. Have employees be required to sign that they agree to abide by the IT Security Policy.
5. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the school should require the vendor to sign the School's Acceptable Use Policy.
6. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
7. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
8. 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 school should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

9. Generate monitoring reports (including firewall logs) of vendor 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 School should review these reports to determine that the access was appropriate and that data was not improperly altered. The school should also ensure it is maintaining evidence to support this monitoring and review.
10. Have the upgrades/updates to the School's system made only after receipt of written authorization from appropriate school officials.

Management Response

Management stated the following:

1. CMAVTS will attempt to obtain a signed agreement from the vendor.
2. CMAVTS believes the information is secure in the absence of this agreement. CMAVTS's Technology Manager is present and must grant access to the vendor.
3. CMAVTS has determined that is not feasible to have the contract reviewed by legal counsel.
4. CMAVTS will have employees sign an agreement to abide by the policy that is already established as a Board Policy.
5. CMAVTS will have the vendors who access student data sign the school's acceptable use policy.
6. CMAVTS will require the administrative director to authorize adding userID's via written documentation.
7. CMAVTS will maintain a log with names and termination dates.
8. CMAVTS has determined that this is not feasible at this time.
9. CMAVTS currently maintains a firewall log. Monitoring would not be feasible.

10. Due to the frequency and time constraints of updates and upgrades, it is not feasible to require written documentation from [school] officials.

Auditor Conclusion

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

Observation No. 2 →

Memorandum of Understanding Not Updated Timely

Criteria relevant to the observation:

Section 13-1303-A(c) provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property.

Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, a Basic Educational Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities.

Section VI, General Provisions, item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon written consent of parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our audit of the School's records found that the current Memorandum of Understanding (MOU) between the School and the local police department was signed May 5, 2008 and has not been updated.

The failure to update the MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between School employees and law enforcement agency if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Columbia Montour Area Vocational-Technical School* should:

1. In consultation with the solicitor, review, update and re-execute the current MOU between the School and the local police department.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

MOU with [the local police] has been updated since this review.

Status of Prior Audit Findings and Observations

Our prior audit of the Columbia Montour Area Vocational-Technical School resulted in no findings or observations.



Distribution List

This report was initially distributed to the area vocational-technical school superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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