

LIGONIER VALLEY SCHOOL DISTRICT  
WESTMORELAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2011



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

Mr. Bruce Robinson, Board President  
Ligonier Valley School District  
339 West Main Street  
Ligonier, Pennsylvania 15658

Dear Governor Corbett and Mr. Robinson:

We conducted a performance audit of the Ligonier Valley School District (LVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period October 14, 2009 through April 21, 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 LVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 21, 2011

cc: **LIGONIER VALLEY 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 Ligonier Valley School District (LVSD). 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 LVSD in response to our prior audit recommendations.

Our audit scope covered the period October 14, 2009 through April 21, 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.

### **District Background**

The LVSD encompasses approximately 230 square miles. According to 2000 federal census data, it serves a resident population of 16,959. According to District officials, in school year 2009-10 the LVSD provided basic educational services to 1,737 pupils through the employment of 146 teachers, 82 full-time and part-time support personnel, and 10 administrators. Lastly, the LVSD received more than \$9.1 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the LVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures except for two compliance-related matters reported as findings.

#### **Finding No. 1: Police Departments of Two Local Municipalities Failed to Provide the District with an Updated Memorandum of Understanding.**

Our audit of the LVSD's records found that the Memoranda of Understanding (MOU) between the LVSD and two local law enforcement agencies were signed on November 10, 1998, but have not been updated since that date. This issue was also discussed in two previous audits (see page 6).

#### **Finding No. 2: Unmonitored Vendor System Access and Logical Access Control Weaknesses.**

We determined that a risk exists that unauthorized changes to the LVSD's data could occur and not be detected because the LVSD was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system (see page 8).

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

With regard to the status of our prior audit recommendations to the LVSD from an audit we conducted of the 2007-08 and 2006-07 school years, we found the LVSD had not resolved the issues pertaining to MOU that have not been updated since November 10, 1998 (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 14, 2009 through April 21, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2009 through January 31, 2011.

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

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 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 LVSD'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?
- ✓ 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

*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, observations and conclusions based on our audit objectives.

LVSD 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 bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 1, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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### Police Departments of Two Local Municipalities Failed to Provide the District with an Updated Memorandum of Understanding

*Criteria relevant to the finding:*

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which 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, the Basic Education 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 the written consent of the 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 District's records found that Memoranda of Understanding (MOU) between the District and two of its local law enforcement agencies were signed on November 10, 1998, but had not been updated since that date. The District's attempts to obtain the MOUs have been unsuccessful. This issue was also discussed in two previous audits (see page 11).

The failure to obtain an updated MOU from the local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies 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 a 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 *Ligonier Valley School District* should:

1. In consultation with its solicitor, attempt again to work with the solicitors of the municipalities to update the MOUs.

2. Review, update and re-execute the MOU's between the District and all law enforcement agencies every two years.

**Management Response**

Management stated the following:

The school district's solicitor is in communication with the solicitor of the 2 police departments (they share a single solicitor) in an attempt to resolve this issue.

**Finding No. 2**

**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 Ligonier 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 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 was adequately monitoring all vendor activity in its system. Further, the District does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance. Since the District does not have adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its data base, the risk of unauthorized changes is increased.

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

1. 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 its system.
2. The vendor has unlimited access (24 hours a day/7 days a week) into the District’s system.

3. The contract with the vendor does not contain a non-disclosure agreement for the District's proprietary information.
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's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
6. 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; to maintain a password history (i.e., approximately ten passwords); or to lock out users after three unsuccessful attempts.
7. The District does not have manual compensating controls in place to verify the integrity of the membership and attendance information in its database.

## **Recommendations**

The *Ligonier Valley School District* should:

1. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its 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.
2. Allow access to its system only when the vendor needs to 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.
3. Include in the contract with the vendor a non-disclosure agreement for the District's proprietary information.

4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Include provisions in the District's Acceptable Use Policy for authentication (password security and syntax requirements).
6. Implement a security policy and system parameter settings to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters. Also, the District should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), and lock out users after three unsuccessful attempts.
7. Establish manual compensating controls to verify the integrity of the membership and attendance information in its database.

**Management Response**

Management agreed with the observation and had no further comment at the time of our audit.



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

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Our prior audit of the Ligonier Valley School District (LVSD) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to the need to update the Memoranda of Understanding between the District and the law enforcement agencies of two municipalities. 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 LVSD did not yet resolve the issue related to the need to update the Memoranda of Understanding.

### **School Years 2007-08 and 2006-07 Auditor General Performance Audit Report**

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**Finding:** **Police Departments of Two Local Municipalities Failed to Provide the District with an Updated Memorandum of Understanding**

Finding Summary: Our prior audit of the District's records found that Memoranda of Understanding (MOU) between the District and two of its local law enforcement agencies were signed on November 10, 1998, but had not been updated since that date. This was also the subject of an observation in the previous audit. The District has been unsuccessful in its attempts to obtain the cooperation of the two municipalities.

Recommendations: Our audit finding recommended that the LVSD:

1. In consultation with its solicitor, attempt again to work with the solicitors of the municipalities to update the MOUs.
2. Review, update and re-execute the MOUs between the District and all law enforcement agencies every two years.

Current Status: During our current audit procedures, we found that the LVSD had not yet resolved this issue. The MOUs are the subject of a finding in our current audit (see page 6).



## **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:

The Honorable Tom Corbett  
Governor  
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