

MINERSVILLE AREA SCHOOL DISTRICT  
SCHUYLKILL COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

AUGUST 2010



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

Mr. Albert J. Wank, Board President  
Minersville Area School District  
Battlin Miner Drive & Low Road  
P.O. Box 787  
Minersville, Pennsylvania 17954

Dear Governor Rendell and Mr. Wank:

We conducted a performance audit of the Minersville Area School District (MASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period January 14, 2008 through January 5, 2010, 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 MASD 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 MASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve MASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the MASD's cooperation during the conduct of the audit and their willingness to implement our some of our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

August 27, 2010

cc: **MINERSVILLE 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 Minersville Area School District (MASD). 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 MASD in response to our prior audit recommendations.

Our audit scope covered the period January 14, 2008 through January 5, 2010, 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 MASD encompasses approximately 55 square miles. According to 2000 federal census data, it serves a resident population of 10,732. According to District officials, in school year 2007-08 the MASD provided basic educational services to 1,217 pupils through the employment of 84 teachers, 43 full-time and part-time support personnel, and 4 administrators. Lastly, the MASD received more than \$6.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the MASD 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 MASD 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).

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

**Observations.** With regard to the status of our prior audit recommendations to the MASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the MASD had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 10) and to their Memorandum of Understanding (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 January 14, 2008 through January 5, 2010.

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 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 MASD'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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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 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.

MASD 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 and professional employee certification.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 28, 2009, we 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 Minersville Area 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 they are adequately monitoring all vendor activity in their system. However, 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. 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 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. Does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.

2. 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., approximately ten passwords).
3. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
4. Does not have evidence that they are generating or reviewing monitoring reports of user access and activity on the system (including vendor and district employees). There is no evidence that the District is performing procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.
5. Does not require written authorization prior to the updating/upgrading of key applications or changing user data.
6. 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 *Minersville Area School District* should:

1. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
2. 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).

3. Require the vendor to assign Unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
4. 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.
5. Ensure that the upgrades/updates to the District's system are made only after receipt of written authorization from appropriate District officials.
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 offered the following:

1. Our information technology (IT) Supervisor is going to keep documentation on file to show as evidence that terminated employees are properly removed from the system in a timely manner. The IT Supervisor is also going to email the Superintendent's secretary to notify the District when terminated employees are removed from the system.
2. MASD feels that our system parameter settings are adequate for our District. Please note that no vendor has authority to enter our settings.
3. Again, no vendor has authority to enter our site. As for MASD employee's, everyone is assigned unique userIDs and passwords.

4. MASD purchases our internet through a consortium with our IU#29. IU#29, therefore, would advise the district of any security breach since the District is not allowed to access the firewall.
5. Our IT Supervisor gets authorization from the Superintendent before any changes occur.
6. The District is going to install a fire extinguisher in the computer room.

**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.

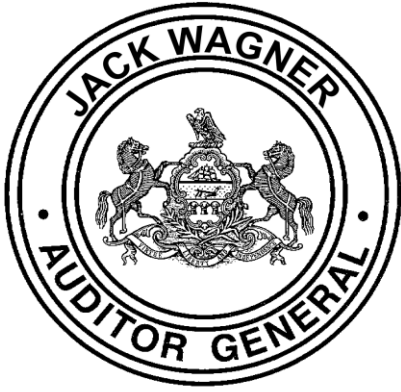
## Status of Prior Audit Findings and Observations

Our prior audit of the Minersville Area School District (MASD) for the school years 2005-06 and 2004-05 resulted in one finding and one observation. The finding pertained to certification and the observation pertained to the Memorandum of Understanding. 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 and observation. As shown below, we found that the MASD did implement recommendations related to certification and the Memorandum of Understanding.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Deficiency</i></u></p> <ol style="list-style-type: none"> <li>1. Ensure employees obtain current, valid teaching certificates.</li> <li>2. Monitor years of service for all non-permanently certified employees.</li> <li>3. After receiving the market value/income aid ratio, the Department of Education (DE) should adjust the District's allocations to recover any subsidy forfeiture deemed appropriate.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the professional employees' certificates and assignments for the period April 1, 2005 through October 31, 2007, found that a teacher was employed with a lapsed certificate.</p>	<p><b>Current Status:</b></p> <p>We followed up on the MASD certification records and found that the MASD did implement of our recommendations.</p> <p>DE has also deducted the subsidy forfeiture from the District's 2007-08 basic education funding in June of 2008.</p>



<p><u>II. Observation:</u> <u>Memorandum</u> <u>of Understanding Not</u> <u>Updated Timely</u></p> <ol style="list-style-type: none"><li>1. District administration, in consultation with the solicitor should review, update, and execute the current Memorandum of Understanding (MOU) between the District and the three local law enforcement agencies.</li><li>2. Additionally, the board should adopt a policy requiring the administration to review and execute the MOU every two years.</li></ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's records found that the current MOU between the District and the three local law enforcement agencies: Minersville Borough, Branch Township and Cass Township police departments, was signed September 16, 1998, October 28, 1998 and October 21, 1998, respectively, and have not been updated.</p>	<p><b>Current Status:</b></p> <p>We followed up on the MASD MOU and found that MASD did comply with our recommendations regarding the updating of the MOU of the three local law enforcement agencies.</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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