

NORTHERN TIER CAREER CENTER  
BRADFORD COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

AUGUST 2011



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

Mr. Kevin Brown, Joint Operating Committee Chairperson  
Northern Tier Career Center  
120 Career Center Lane  
Towanda, Pennsylvania 18848

Dear Governor Corbett and Mr. Brown:

We conducted a performance audit of the Northern Tier Career Center (NTCC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 12, 2009 through March 11, 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 NTCC 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 NTCC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve NTCC's operations and facilitate compliance with legal and administrative requirements. We appreciate the NTCC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

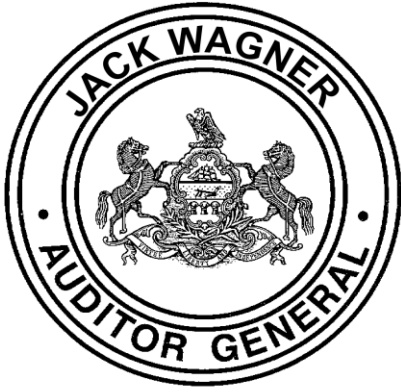
Sincerely,

/s/

JACK WAGNER  
Auditor General

August 29, 2011

cc: **NORTHERN TIER CAREER CENTER** Joint Operating Committee Members

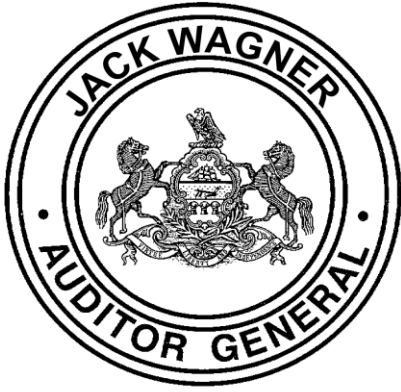


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Northern Tier Career Center (NTCC). Our audit sought to answer certain questions regarding the AVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the NTCC in response to our prior audit recommendations.

Our audit scope covered the period May 12, 2009 through March 11, 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 NTCC provided educational services to 306 secondary pupils and 49 post-secondary pupils through the employment of 13 teachers, 11 full-time and part-time support personnel, and 3 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 8 members from the following school districts:

Athens Area	Towanda Area
Canton Area	Troy Area
Northeast Bradford	Sullivan County
Sayre Area	Wyalusing Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a one year term. Lastly, the NTCC received \$496,109 in state funding in school year 2009-10.

### **Audit Conclusion and Results**

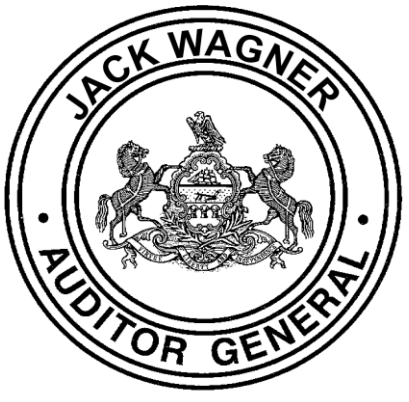
Our audit found that the NTCC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

#### **Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses.**

We noted that the NTCC 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 NTCC from an audit we conducted of the 2007-08 and 2006-07 school years, we found the NTCC had changed vendors since our prior audit. Therefore, we performed an audit of the new vendor and have identified items that were significant and resulted in an observation (see page 10).





## 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 May 12, 2009 through March 11, 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 NTCC'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:

- ✓ Were professional employees certified for the positions they held?
- ✓ Does the School ensure that Joint Operating Committee 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 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?
- ✓ Did the School 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.

NTCC 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:

- Professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 17, 2009, we 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 Northern Tier Career Center (NTCC) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the NTCC’s entire computer system, including all its data and the vendor’s software are maintained on the vendor’s virtual servers. The NTCC has remote access into vendor’s virtual servers. The vendor provides the NTCC with system maintenance and support.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the NTCC’s data could occur and not be detected because the NTCC was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the NTCC 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 NTCC 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 NTCC’s membership information and result in the NTCC not receiving the funds to which it was entitled from the state.

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

1. The NTCC’s Acceptable Use Policy does include provisions for privacy (e.g., monitoring of electronic mail, access to files); access (acceptable use guidelines for users); accountability (responsibilities of users, auditing, incident handling); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to

whom). However, the employees are not required to sign the policy.

2. The NTCC does not have current information technology (IT) policies and procedures for controlling the activities of the vendor, nor does it require the vendor to sign the NTCC's Acceptable Use Policy.
3. The NTCC does not require written authorization before adding, deleting, or changing a userID.
4. The NTCC does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
5. The NTCC has certain weaknesses in logical access controls. We noted that the NTCC'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).
6. The vendor has unlimited access (24 hours a day/7 days a week) into the NTCC's system.
7. The NTCC does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including the vendor and NTCC employees). There is no evidence to support that the NTCC is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.
8. The NTCC does not require written authorization prior to the updating/upgrading of key applications or changing user data.
9. The NTCC does not have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside.

10. The NTCC does have compensating controls that would mitigate the IT weaknesses and would support that the NTCC would be alerted to unauthorized changes to the membership database, i.e., reconciliations to manual records, analysis of membership trends, data entry procedures and review, etc. However, the NTCC does not require documentation for the procedures or the reconciliations/roll forwards.

## **Recommendations**

The *Northern Tier Career Center* should:

1. Ensure that the NTCC's Acceptable Use Policy includes provisions for privacy (e.g., monitoring of electronic mail, access to files); access (acceptable use guidelines for users); accountability (responsibilities of users, auditing, incident handling); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to whom). Further, the employees should be required to sign the policy.
2. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the NTCC should require the vendor to sign the NTCC's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. 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 NTCC 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).

6. Only allow access to their system 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.
7. Generate monitoring reports (including firewall logs) of the 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 NTCC should review these reports to determine that the access was appropriate and that data was not improperly altered. The NTCC should also ensure it is maintaining evidence to support this monitoring and review.
8. Ensure the upgrades/updates to the NTCC's system be made only after receipt of written authorization from appropriate NTCC officials.
9. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
10. Have compensating controls that would allow the NTCC to detect unauthorized changes to the membership database in a timely manner. Also, the NTCC should require documentation for the procedures and reconciliations/roll forwards.

**Management Response**

Management did not provide a response.

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

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Our prior audit of the Northern Tier Career Center (NTCC) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to unmonitored intermediate unit system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the NTCC to implement our prior recommendations. We performed audit procedures, and questioned NTCC personnel regarding the prior observation. As shown below, we found that the NTCC changed vendors since our prior audit. Therefore, we performed an audit of the internal controls in place related to the new vendor's access.

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

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**Observation:**            **Unmonitored IU System Access and Logical Access Control Weaknesses**

Observation

Summary:

The NTCC uses software purchased from the Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance). Additionally, the NTCC's entire computer system, including all its data and the CSIU's software are maintained on CSIU servers which are physically located at CSIU. The NTCC has remote access into CSIU's network servers. CSIU also provides the NTCC with system maintenance and support.

Recommendations:    Our audit observation recommended that the NTCC:

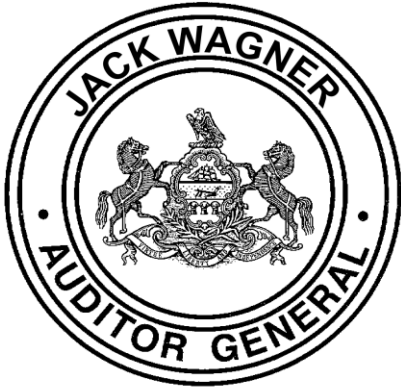
1. Ensure that the School's Acceptable Use Policy includes provisions for privacy (e.g., monitoring of electronic mail, access to files); access (acceptable use guidelines for users); accountability (responsibilities of users, auditing, incident handling); authentication (password security and syntax requirements); and violations/incidents (what is to be reported and to whom). Further, the employees should be required to sign the policy.
2. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants and have the CSIU sign this policy, or the school should require the CSIU to sign the School's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.



4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Generate monitoring reports (including firewall logs) of CSIU 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 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.
6. Ensure that the upgrades/updates to the School's system should be made only after receipt of written authorization from appropriate School officials.
7. To mitigate IT control weaknesses, have compensating controls that would allow the School to detect unauthorized changes to the membership database in a timely manner. Also, the School should require documentation for the procedures and reconciliations/roll forwards.

Current Status:

During our current audit procedures we found that the NTCC changed vendors. Therefore, we completed an audit of the internal controls in place related to the new vendor's access. The NTCC did not implement the recommendations. See the observation on page 6.



## **Distribution List**

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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](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
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Harrisburg, PA 17120

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

