

RIVERVIEW SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2011

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

Ms. Anne Shearon, Board President
Riverview School District
701 Tenth Street
Oakmont, Pennsylvania 15139

Dear Governor Corbett and Ms. Shearon:

We conducted a performance audit of the Riverview School District (RSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 9, 2008 through July 30, 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 RSD 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 RSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve RSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the RSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

June 2, 2011

cc: **RIVERVIEW 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 Riverview School District (RSD). 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 RSD in response to our prior audit recommendations.

Our audit scope covered the period January 9, 2008 through July 30, 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 2007-06.

District Background

The RSD encompasses approximately 2 square miles. According to 2000 federal census data, it serves a resident population of 10,035. According to District officials, in school year 2007-08, the RSD provided basic educational services to 1,167 pupils through the employment of 109 teachers, 51 full-time and part-time support personnel, and 9 administrators. Lastly, the RSD received more than \$4.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the RSD 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 RSD critical student accounting applications (membership and attendance) could occur and not be detected (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the RSD, we found the RSD had taken appropriate corrective action in implementing our recommendations pertaining to inadequate transportation documentation (see page 8), health services reimbursements (see page 9), a certification deficiency (see page 9), a bus driver qualification deficiency (see page 10), an untimely Memorandum of Understanding (see page 10), and internal control weaknesses regarding bus drivers' qualifications (see page 11).



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 January 9, 2008 through July 30, 2010, except for the verification of professional employee certification which was performed for the July 1, 2009 through June 30, 2010 school year.

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

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 RSD'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?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), 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

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 and conclusions based on our audit objectives.

RSD 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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 10, 2009, we reviewed the RSD's response to DE dated September 21, 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 Riverview 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 vendor activity in its system. However, 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 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. The District has an Acceptable Use Policy, but not all employees are required to sign said policy.
2. 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.

3. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
4. 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 use passwords that are a minimum length of eight characters.

Recommendations

The *Riverview School District* should:

1. Require all employees to sign the District's Acceptable Use Policy.
2. 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.
3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
4. Implement a security policy and system parameter settings to require all users, including the vendor, to use passwords that are a minimum length of eight characters.

Management Response

Management stated the following:

1. All District employees will sign acceptable use policy by the beginning of the 2010-2011 school year.
2. Current procedures will be documented and vendor will sign the procedures document by June 30, 2010.
3. A log has been created documenting the termination of employees and removal from network access.
4. The current password requirements have been changed from six to eight characters.

Status of Prior Audit Findings and Observations

Our prior audit of the Riverview School District (RSD) for the school years 2005-06 and 2004-05 resulted in four reported findings and two reported observations, as shown below. 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 RSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observations. As shown below, we found that the RSD did implement our recommendations.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding No. 1: Inadequate Documentation for Transportation Mileage and Pupil Data Resulted in Questionable Reimbursements of \$253,928

Finding Summary: Our prior audit of transportation reimbursement for the years ending June 30, 2006 and 2005, found a lack of supporting documentation to verify reimbursements of \$133,674 and \$120,254, respectively.

Recommendations: Our audit finding recommended that the RSD:

1. Establish written procedures that address the preparation and retention of odometer readings, pupil rosters and calculation workpapers.
2. Comply with DE guidelines and instructions for collection and reporting of mileage and pupil data.
3. Retain all documents and calculations used to report mileage and pupil data.

Current Status: Our current audit found only insignificant errors in the reporting of transportation data. Required documentation was available.

Based on the results of our audit, we determined the District did take appropriate corrective action.

Finding No. 2: Understatement of Average Daily Membership for Health Services Resulted in Underpayments of \$1,656

Finding Summary: Our prior audit of the District's health services reimbursement data for the 2005-06 and 2004-05 school years found that District personnel incorrectly reported average daily membership (ADM) to the Department of Health (DH).

Recommendations: Our audit finding recommended that the RSD:

1. Review health services reimbursement applications prior to submission to DH to ensure all eligible ADM is reported.
2. Review applications submitted subsequent to the current audit and, if errors are noted, send revised reports to DH.

We also recommended that DH:

3. Adjust the District's allocations to correct the underpayments of \$1,656.

Current Status: Our current audit found that the District has implemented procedures to ensure all eligible ADM is reported. The District did not revise the reports for our current audit years; however, the errors found had no significant effect on reimbursement.

As of July 30, 2010, DH had not adjusted the underpayments. We again recommend that DH correct the underpayments of \$1,656.

Finding No. 3: Certification Deficiency

Finding Summary: Our prior audit of the professional employees' certification and assignments for the period August 1, 2005 through June 18, 2007, found that one teacher was assigned to a position outside her area of certification during the 2006-07 school year.

Recommendations: Our audit finding recommended that the RSD:

1. Put procedures in place to ensure that all professional employees hold valid certification in the areas they are to teach before they are assigned.
2. Ensure that professional employees apply for emergency certificates when necessary.

We also recommended that DE:

3. Adjust the District's allocations to assess the subsidy forfeiture of \$1,620.

Current Status:

Our current audit found that RSD did implement procedures to ensure that professional employees apply for emergency certificates when necessary and that all professional employees hold valid certification in the areas they are to teach. No certification deficiencies were found in our current audit.

DE's Bureau of School Leadership and Teacher Quality confirmed the deficiency. DE accordingly deducted \$1,621 from the District's basic education funding payment in December 2009.

Finding No. 4:

School Bus Driver Qualification Deficiency

Finding Summary:

Our prior audit of bus drivers' qualifications for the 2007-08 school year found that two drivers did not have all of the required qualifications on file with the District.

Recommendations:

Our audit finding recommended that the RSD:

1. Immediately obtain from the contractor missing documentation in order to ensure that drivers transporting students in the District possess proper qualifications.
2. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students.
3. Maintain files, separate from the contractor, for all District drivers and work with the contractor to ensure that the District's files are up-to-date and complete.

Current Status:

Our current audit found that all documentation was available for the bus drivers tested.

Observation No. 1

Memorandum of Understanding Not Updated Timely

Observation Summary:

Our prior audit of the District's records found that the District had on file a properly signed and updated Memorandum of Understanding (MOU) between the District and one local police department. However, the MOU with a second local police department was last updated October 17, 2003.

Recommendations: Our audit observation recommended that the RSD:

1. Review, update and re-execute the MOU between the District and the local police department.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status: RSD implemented procedures to ensure that updated and signed MOUs with both police departments that serve the District are on file.

Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this observation.

Observation No. 2 **Continued Internal Control Weakness in Administrative Policies Regarding Bus Driver's Qualifications**

Observation Summary: Our prior audit found that neither the District nor the transportation contractor had written policies or procedures in place to ensure that the District was notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.

Recommendations: Our audit observation recommended that the RSD:

1. Develop a process to determine, of a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when employees of the District's transportation contractor are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children, and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status:

Our current audit found that the District board and its solicitor reviewed three drivers' with nondisqualifying crimes, and decided that the drivers could be retained. In addition, RSD implemented written policies and procedures to ensure that the District is notified if current bus drivers are charged with or convicted of criminal offenses.

Based on the results of our current audit, we concluded that the District did take appropriate corrective action to address this observation.

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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