

ROCHESTER AREA SCHOOL DISTRICT
BEAVER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2010

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

Mrs. Evelyn Reda, Board President
Rochester Area School District
540 Reno Street
Rochester, Pennsylvania 15074

Dear Governor Rendell and Mrs. Reda:

We conducted a performance audit of the Rochester Area School District (RASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 6, 2008 through May 25, 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 RASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the RASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 29, 2010

cc: **ROCHESTER AREA 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 Rochester Area School District (RASD). 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 RASD in response to our prior audit recommendations.

Our audit scope covered the period May 6, 2008 through May 25, 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 RASD encompasses approximately 5 square miles. According to 2000 federal census data, it serves a resident population of 8,075. According to District officials, in school year 2007-08 the RASD provided basic educational services to 973 pupils through the employment of 86 teachers, 72 full-time and part-time support personnel, and 7 administrators. Lastly, the RASD received more than \$8.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the RASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the RASD resulted in no findings or observations.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the RASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the RASD had taken appropriate corrective action in implementing our recommendations pertaining to the failure to update the Memorandum of Understanding related to school violence (see page 7).

We found the RASD had also taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access (see page 8).



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 May 6, 2008 through May 25, 2010, except for the verification of professional employee certification which was performed for the period March 1, 2008 to April 30, 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 RASD'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 and conclusions based on our audit objectives.

RASD 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, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 27, 2009, we performed audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Rochester Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Rochester Area School District (RASD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to the failure to update the school violence Memorandum of Understanding (MOU), and the second pertained to unmonitored vendor system access and logical access control weakness. 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 observations. As shown below, we found that the RASD did implement all of the recommendations related to the MOU, and did implement some of our recommendations related to unmonitored vendor access.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	Implementation Status	
<p><i><u>I. Observation No. 1:</u></i> <i><u>Memorandum of Understanding Not Timely Updated</u></i></p> <ol style="list-style-type: none"> In consultation with the District's solicitor, continue to review, update and re-execute the current MOU between the District and the local law enforcement agency. Adopt a policy requiring the administration to review and re-execute the MOU every two years. 	<p>Background:</p> <p>Our prior audit of the District's records found that the MOU between the District and the local law enforcement agency was signed September 24, 1998, and had not since been updated.</p>	<p>Current Status:</p> <p>Our current audit found that the District has updated its MOU with the local law enforcement agency.</p> <p>Based on our current audit, we determined the District did take appropriate corrective action.</p>

<p><u>II. Observation No. 2:</u> <u>Unmonitored Vendor</u> <u>System Access and Logical</u> <u>Access Control</u> <u>Weaknesses</u></p> <ol style="list-style-type: none"> 1. Generate monitoring reports (including firewall logs) of the Central Susquehanna Intermediate Unit #16 (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 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 the District's system only when the CSIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the CSIU has completed its work. This procedure would also enable the monitoring of CSIU changes. 3. Keep a copy of the fully executed (signed by both parties) maintenance agreement on file. 4. Amend the contract with the CSIU to include a non-disclosure 	<p>Background:</p> <p>Our prior audit found the RASD uses software purchased from CSIU for its critical student accounting applications (membership and attendance). Additionally, the District's entire computing system, including all its data and the above software are maintained on CSIU's servers which are physically located at the CSIU. The District has remote access into the CSIU's network servers, with the CSIU providing system maintenance and support.</p>	<p>Current Status:</p> <ol style="list-style-type: none"> 1. The District is unable to generate reports of CSIU and employee access to District data which is maintained on CSIU's systems; however, each CSIU employee with access to the application servers and software has a unique ID which is used to establish an audit trail documenting the need, date and time of each occurrence. 2. Access to application servers and software is restricted to domain administrators. Temporary access to client data is granted on an 'as needed' basis for resolving client-initiated calls. This access to client data automatically times out at the end of an established access period. 3. The District has a fully executed (signed by both parties) maintenance agreement on file. 4. The contract with CSIU does not contain a non-disclosure agreement; however, CSIU policies specifically address data privacy. In addition to CSIU policy, staff is required to read and sign a job description which includes language protecting the confidentiality of clients' proprietary information. 5. The District does not have separate information technology (IT) policies controlling the activities of the CSIU; however,
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<p>agreement for the District's proprietary information.</p> <p>5. Establish separate IT policies and procedures for controlling the activities of the CSIU and have the CSIU sign this policy, or require CSIU to sign the District's Acceptable Use Policy.</p>		<p>CSIU does have policies and procedures detailing the acceptable use of the District's proprietary data.</p> <p>We again recommend the District establish its own IT policy and procedures for controlling the activities of the CSIU.</p>
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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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