

STO-ROX SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2011

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

Ms. Elizabeth Smith, Board President
Sto-Rox School District
600 Russellwood Avenue
McKees Rocks, Pennsylvania 15136

Dear Governor Corbett and Ms. Smith:

We conducted a performance audit of the Sto-Rox School District (SRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period February 15, 2008 through October 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 SRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as noted in the two findings detailed in the audit report. In addition, we identified two matters unrelated to compliance that are reported as observations. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

September 19, 2011

JACK WAGNER
Auditor General

cc: **STO-ROX 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 Sto-Rox School District (SRSD). 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 SRSD in response to our prior audit recommendations.

Our audit scope covered the period February 15, 2008 through October 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 SRSD encompasses approximately 3 square miles. According to 2000 federal census data, it serves a resident population of 13,330. According to District officials, in school year 2007-08 the SRSD provided basic educational services to 1,403 pupils through the employment of 127 teachers, 97 full-time and part-time support personnel, and ten administrators. Lastly, the SRSD received more than \$11.2 million in state funding in school year 2007-08

Audit Conclusion and Results

Our audit found that the SRSD 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. In addition, two matters unrelated to compliance are reported as observations.

Finding No. 1: School Bus Driver Qualification Deficiencies. Our review of bus drivers' qualifications found that the documentation of some bus drivers' qualifications was missing (see page 6).

Finding No. 2: Memorandum of Understanding Not Updated Timely. Our review found the SRSD hasn't updated its Memorandum of Understanding (MOU) with two law enforcement agencies since January 24, 2008, and a third law enforcement agency has not signed the MOU (see page 8).

Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses. The risk exists that unauthorized changes to the SRSD's student accounting (membership and attendance) data could occur and not be detected (see page 9).

Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications. Neither the SRSD nor the SRSD's transportation contractor have written policies or procedures in place to ensure that they are notified if current employees have been 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 (see page 13).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the SRSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SRSD had taken appropriate corrective action in implementing our recommendations pertaining to teacher certification (see page 15). However, the SRSD had not taken appropriate corrective action in implementing our recommendations pertaining to school bus drivers' qualifications (see page 16) and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 16).

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 February 15, 2008 through October 5, 2010, except for the verification of professional employee certification which was performed for the period January 16, 2008 through June 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 SRSD'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, observations and conclusions based on our audit objectives.

SRSD 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, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 24, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1 →

School Bus Drivers' Qualification Deficiencies

Criteria relevant to the finding:

Public School Code (PSC) Section 111 (24 P.S. 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa C.S. 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

We reviewed bus drivers' qualifications for the 2009-10 school year and found that some documentation was missing. Similar deficiencies were addressed in a finding in our prior audit report (see page 16).

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following five requirements:

1. possession of a valid driver's license;
2. completion of school bus driver skills and safety training;
3. passing a physical examination;
4. lack of convictions for certain criminal offenses; and
5. official child abuse clearance statement.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained in the box to the left, the fourth and fifth requirements were set by the PSC and the CPSL, respectively.

We reviewed the personnel records of 61 drivers currently employed by the District's transportation contractor. We noted the following:

- One driver did not have a valid physical examination certificate;
- Two bus drivers did not have a valid commercial driver's license and/or S endorsement card indicating completion of safety training;

- Five drivers did not have a valid federal criminal history record;
- Five drivers did not have a valid child abuse clearance; and
- Twelve drivers did not have a valid Pennsylvania criminal history record.

On September 8, 2010, we informed District management of the missing documentation and instructed them to immediately obtain the necessary documents so that they can ensure the drivers are properly qualified to continue to have direct contact with children. As of the end of our fieldwork on October 5, 2010, District management did not provide us with the necessary documentation. Therefore, we were unable to verify that drivers were properly qualified to have direct contact with children.

Recommendations

The *Sto-Rox School District* should:

1. Immediately obtain, from the transportation contractor, the missing documentation referred to in our finding 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 transportation contractors, for all District drivers and work with the contractors to ensure that the District's files are up-to-date and complete.

Management Response

Management stated the following:

We have identified corrective action to address this finding.

Finding No. 2 →

Criteria relevant to the finding:

Section 1303-A(c) of the PSC 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.

Section VI, General Provisions item B of the existing MOU states:

This Memorandum may be amended 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.

Memorandum of Understanding Not Updated Timely

Our review of the District's records found that the current Memorandum of Understanding (MOU) between the District and its two local law enforcement agencies has not been updated since January 24, 2008. Additionally, the District does not have a fully executed MOU with its third local law enforcement agency, which did not sign the MOU.

The failure to obtain updated fully executed MOUs with all 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 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 *Sto-Rox School District* should:

1. Review, update, and re-execute the MOUs between the District and the three local law enforcement agencies.
2. Adhere to the MOU provisions and adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Management Response

Management stated the following:

We have identified corrective action to address this finding.

Observation No. 1 →

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 Sto-Rox 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 all vendor activity 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 review, we found the District had the following weaknesses about vendor access to the District’s system:

1. The District does not require employees to sign the information technology (IT) security policy.
2. The District does not have current 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 require written authorization before adding, deleting, or changing a userID.

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 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 passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha and numeric and special characters; and to maintain a password history (i.e., approximately ten passwords).
6. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
7. The District is not backing up the application(s) before placing program changes into production.
8. The District 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 detection/fire suppression equipment.
9. The District does not store data back-ups in a secure, off-site location.
10. The District does not have any compensating controls that would mitigate the IT weaknesses or alert the District to unauthorized changes to the membership database, i.e., reconciliations to manual records, analysis of membership trends, data entry procedures and review, etc.

Recommendations

The *Sto-Rox School District* should:

1. Require all employees to sign the IT security 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. 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 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).
6. Allow access to its system only when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed work. This procedure would also enable the monitoring of vendor changes.
7. Back up the application(s) before placing program changes into production to ensure it could recover if problems are encountered.
8. 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 detectors and fire extinguishers in the computer room.
9. Store back-up tapes in a secure, off-site location.
10. Mitigate IT control weaknesses, through compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Management Response

Management stated the following:

We have identified corrective action to address this [observation].

Observation No. 2 →

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

PSC, Section 111 (24 P.S. 1-111), requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the CPSL 23 Pa C.S. 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our review found that one driver was convicted of a crime (disorderly conduct) and one driver was charged with a crime (criminal conspiracy) that, while not disqualifying under state law, should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.

The ultimate purpose of the requirements of the PSC and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

We also found that neither the District nor the transportation contractor have written policies or procedures in place to ensure that they are notified if current employees have been 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. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children. This was also the subject of an observation in our prior audit report (see page 16).

Recommendations

The *Sto-Rox School District* should:

1. Develop a process to determine, on 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 current 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.

Management Response

Management stated the following:

We have identified corrective action to address this condition.

Status of Prior Audit Findings and Observations

Our prior audit of the Sto-Rox School District (SRSD) for the school years 2005-06 and 2004-05 resulted in two reported findings and one observation. The first finding pertained to certification deficiency, and the second finding pertained to school bus drivers' qualification deficiencies. The observation pertained to internal control weaknesses in administrative policies regarding bus driver qualifications. 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 findings and observation. As shown below, we found that the SRSD did implement recommendations related to the certification deficiencies, but did not implement our recommendations regarding bus drivers' qualification deficiencies and weaknesses in administrative policies for bus drivers' qualifications.

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

Finding No. 1: Certification Deficiency

Finding Summary: Our prior audit of professional employees' certificates and assignments for the period April 18, 2006 through January 15, 2008, found that one employee was assigned to a teaching position without proper certification, resulting in subsidy forfeitures of \$3,257.

Recommendations: Our audit finding recommended that the SRSD:

1. Take the necessary action required to ensure compliance with certification deficiencies.
2. Take action to correct the certification deficiency.

We also recommend that the Department of Education (DE):

3. Adjust the District's allocations to recover the subsidy forfeitures of \$3,257.

Current Status: During our current audit procedures we found that the SRSD implemented the recommendations. DE recalculated the subsidy forfeiture and adjusted the District's December 2009 basic education funding to recover forfeitures of \$3,358.

Finding No. 2: School Bus Drivers' Qualification Deficiencies

Finding Summary: Our prior review of bus driver qualifications revealed that some documentation was missing.

Recommendations: Our audit finding recommended that the SRSD:

1. Immediately obtain from the transportation contractor the missing documentation referred to in our finding 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: During our current audit procedures we found that the SRSD did not implement the recommendations. (See Finding No. 1 in the current audit report, page 6.)

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary:

Our prior audit found that neither the District nor its transportation contractor had written policies or procedures in place to ensure that they were notified of current employees who 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 SRSD:

1. Develop a process to determine, on 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 current 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: During our current audit procedures we found that the SRSD did not implement the recommendations. (See Observation No. 2 in the current audit report, page 13.)



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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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.

