

VALLEY VIEW SCHOOL DISTRICT  
LACKAWANNA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Ms. Ellen Nielsen, Board President  
Valley View School District  
1 Columbus Drive  
Archbald, Pennsylvania 18403

Dear Governor Rendell and Ms. Nielsen:

We conducted a performance audit of the Valley View School District (VVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period June 13, 2007 through June 19, 2009, 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 VVSD 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 VVSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve VVSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the VVSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

January 19, 2010

cc: **VALLEY VIEW 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 Valley View School District (VVSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period June 13, 2007 through June 19, 2009, 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 VVSD encompasses approximately 27 square miles. According to 2004 local census data, it serves a resident population of 17,715. According to District officials, in school year 2007-08 the VVSD provided basic educational services to 2,675 pupils through the employment of 182 teachers, 81 full-time and part-time support personnel, and 10 administrators. Lastly, the VVSD received more than \$10.4 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the VVSD 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 IU System Access and Logical Access Control Weaknesses**

We noted that VVSD personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over outside intermediate unit access to the student accounting applications (see page 6).

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

**Observations**. The prior audit of the VVSD resulted in no findings or observations (see page 9).





## 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 June 13, 2007 through June 19, 2009, except for the verification of professional employee certification which was performed for the period April 1, 2007 through March 31, 2009.

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

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 VVSD'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 follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?

*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.

- ✓ 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?

## 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.

VVSD 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 VVSD operations.

## Findings and Observations

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### Observation



*Criteria relevant to the 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 IU System Access and Logical Access Control Weaknesses

The Valley View School District (VVSD) uses software purchased from the Central Susquehanna Intermediate Unit #16 (IU) for its critical student accounting applications (membership and attendance). The IU 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 IU activity in their system. However, since 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.

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 IU access to the District’s system:

1. Employees are not required to sign the District’s Acceptable Use Policy.
2. The District does not have current information technology (IT) policies and procedures for controlling the activities of the IU, nor does it require the IU 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.

**Recommendations**

The *Valley View 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 the IU and have the IU sign this policy, or the District should require the IU 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.

**Management Response**

Management stated the following:

1. Current employees are not required to sign any policy created by the District, just adhere to it. If this is a requirement or recommendation, it will be addressed as we receive the updated policy versions now in progress through PSBA.

2. We do not require anyone other than Board Members to sign policy. Currently we are revising our entire School Policy Manual and this concern will be addressed. However please note CSIU electronic service security specifications which states in part:

CSIU staff may only make data modifications with the client's signed (faxed) approval. In addition, staff access to client information is granted on an individual basis via temporary accounts. Test prints of sensitive data are shredded.

GFI Event Manager Software is being installed to detect inappropriate access/activity on the data servers. Logs will be checked regularly by CSIU staff for signs of unauthorized intrusion and this software will be configured to automatically notify technical support staff immediately when a predefined security threshold is crossed.

Several CSIU policies specifically address Data Privacy, which dictates that only authorized CSIU staff can have access to a given client's data. Further a work request must be completed and signed by a client appointed representative before CSIU staff can make any data modifications. Copies of these signed and faxed work request documents are retained by CSIU for auditing purposes.

3. As of June 12, 2009, this issue has been corrected. Moving forward written authorization will be required for a changing of user accounts.
4. The documentation required in statement number 3, will now be placed on file as evidence that terminated employees were removed from the system.

### **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**

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**O**ur prior audit of the Valley View School District for the school years 2005-06 and 2004-05 resulted in no findings or observations.





## **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:

The Honorable Edward G. Rendell  
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The Honorable Robert M. McCord  
State Treasurer  
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Senator Jeffrey Piccola  
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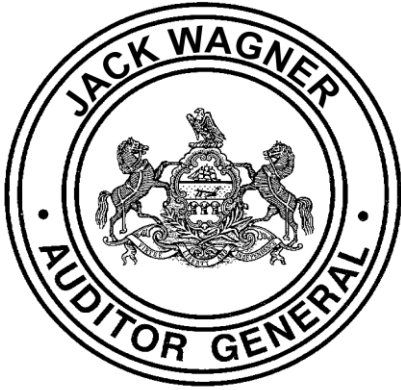
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