

WEST SIDE AREA CAREER AND TECHNOLOGY CENTER

LUZERNE COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

AUGUST 2009

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

Mr. Michael Pegarella, Joint Operating Committee Chairperson
West Side Area Career & Technology Center
75 Evans Street, Pringle Borough
Kingston, Pennsylvania 18704

Dear Governor Rendell and Mr. Pegarella:

We conducted a performance audit of the West Side Area Career and Technology Center (WSACTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period April 20, 2007 through April 28, 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, as they were the most recent reimbursements subject to audit. 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 WSACTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, 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 observations and recommendations have been discussed with WSACTC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WSACTC's operations and facilitate compliance with legal and administrative requirements. We appreciate the WSACTC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

August 10, 2009

cc: **WEST SIDE AREA CAREER AND TECHNOLOGY CENTER** Joint Operating
Committee Members

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Executive Summary

Audit Work

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

Our audit scope covered the period April 20, 2007 through April 28, 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.

School Background

According to School officials, in school year 2007-08 the WSACTC provided educational services to 419 pupils through the employment of 41 teachers, 33 full-time and part-time support personnel, and 5 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 12 members from the following school districts:

Dallas
Lake-Lehman
Northwest Area
Wyoming Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the WSACTC received more than \$705,348 in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WSACTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two matters unrelated to compliance that are reported as observations.

Observation 1: Memorandum of Understanding Not Updated Timely.

Our audit of the WSACTC's records found that WSACTC did not update their Memorandum of Understanding with the Pringle Police Department in a timely manner (see page 6).

Observation 2: Unmonitored Vendor System Access and Logical Access Control Weaknesses. We noted that WSACTC personnel have limited controls over remote access to their membership data. In particular, the WSACTC has limited control over outside vendor access to student accounting applications (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WSACTC from an audit we conducted of the 2005-06 and 2004-05 school years, we found the WSACTC had taken appropriate corrective action in implementing our recommendations pertaining to possible certification irregularities (see page 12).

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 April 20, 2007 through April 28, 2009, except for the verification of professional employee certification which was performed for the period April 6, 2007 through April 21, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 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

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 WSACTC'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?
- ✓ In areas where the School receives state subsidy reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?

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.

- ✓ In areas where the School receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

WSACTC 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:

- Records pertaining to professional employee certification and financial stability.
- Items such as meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 9, 2007, we identified that the prior audit finding was in relation to certification; therefore no response was required from DE. We did perform additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation No. 1

Memorandum of Understanding Not Updated Timely

Public School Code section and criteria relevant to this finding:

Section 13-1303-A(c) requires:

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.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU format to be used for school entities.

Section VI, General Provisions, item (B) of this draft states:

This Memorandum may be amended, expanded 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. (Emphasis added).

Our audit of the West Side Area Career and Technology Center's (WSACTC) records found that the current Memorandum of Understanding (MOU) between the WSACTC and the Pringle Police Department was signed September 22, 1998 and has not been updated.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between WSACTC employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or 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.

On April 24, 2009, during our audit, WSACTC personnel and personnel of the Pringle Police Department along with the Pennsylvania State Police, Wyoming Barracks signed the MOU.

Recommendations

The *West Side Area Career & Technology Center* should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the WSACTC and the Pringle Police Department and/or Pennsylvania State Police, Wyoming Barracks.

2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

Management was not aware that the Memorandum of Understanding should be renewed every two years. We have updated our MOU and [had] it signed by the proper authorities.

Observation No. 2

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 to access the computer systems.

Unmonitored Vendor System Access and Logical Access Control Weaknesses

The WSACTC processes membership and attendance data for three local District’s and uses software purchased from an outside vendor for its critical student accounting applications. The vendor also provides the WSACTC with system maintenance and support.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the WSACTC’s data could occur and not be detected because the WSACTC is not adequately monitoring vendor activity in their system. The WSACTC does not perform formal, documented reconciliations between manual records and computerized records for membership and attendance because this is the responsibility of the District’s they service. Since the WSACTC 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 WSACTC’s membership information and result in the WSACTC not receiving the funds to which it was entitled from the state.

During our review, we found the WSACTC to have the following weaknesses over vendor access:

1. The WSACTC does not have current information technology (IT) policies and procedures for controlling the activities of vendor/consultants, nor does it require the vendor to sign the WSACTC’s Acceptable Use Policy.

2. The WSACTC has certain weaknesses in logical access controls. We noticed that the WSACTC's parameter settings do not require users, including the vendor, to change their passwords every 30 days; to use passwords that include alpha, numeric and special characters; to maintain a password history (i.e. approximately ten passwords); and to lock out users after three unsuccessful attempts.
3. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
4. The WSACTC does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including vendor and WSACTC employees). There is no evidence to support that the WSACTC is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.

Recommendations

The *West Side Area Career & Technology Center* should:

1. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the WSACTC should require the vendor to sign the WSACTC's Acceptable Use Policy.
2. 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 WSACTC should maintain a password history.
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the WSACTC system. Further, the WSACTC should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.

4. Generate monitoring reports (including firewall logs) of 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 WSACTC should review these reports to determine that the access was appropriate and that data was not improperly altered. The WSACTC should also ensure it is maintaining evidence to support this monitoring and review.

Management Response

Management stated the following:

1. The WSACTC IT staff will write a policy and procedure for governing vendor access to the software and database files. We will also require the Harris Computer support and development staff to sign our acceptable use policy. However, even though there is no written policy to date, the procedure of controlling the actions of the vendor is currently in place through opening and closing firewall rules to allow and disallow vendor access. June 2009 completion date.
2. The WSACTC IT staff has currently requested the vendor make improvements to the security section of the software to satisfy all the findings. However in the interim the WSACTC IT staff has developed a program that runs every thirty days requiring the change of passwords to the student information system. The Harris Computer change request is JIRA XSPSEC-19.
3. The WSACTC Staff will collect all vendor support personnel information and create ID's to the software for each member, also the group ID will be disabled. May 1, 2009 completion date.
4. The WSACTC IT Staff will write a program to track changes to database files in the student information system. The script will print the last change userID and the change date and time for all records changed each day. These reports will be automatically archived in the WSACTC's imaging system. June 2009 completion date.

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

Our prior audit of the West Side Area Career and Technology Center (WSACTC) for the school years 2005-06 and 2004-05 resulted in one reported finding. The finding pertained to continued certification irregularities. As part of our current audit, we determined the status of corrective action taken by the WSACTC to implement our prior recommendations. We performed audit procedures, and questioned WSACTC personnel regarding the prior finding. As shown below, we found that the WSACTC did implement recommendations related to the certification irregularity.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Continued Certification Irregularities</i></u></p> <ol style="list-style-type: none"> 1. Ensure procedures are in place to compare teacher's certification to the certification requirements of the assignment the joint operating committee intends to give the teacher. 2. The Department of Education (DE) in conjunction with the Bureau of Teacher Certification and Preparation's response, should adjust the WSACTC's allocations to recover any subsidy forfeiture deemed necessary. 	<p>Background:</p> <p>Our audit found that one professional employee did not have a certificate for his teaching assignment from January 22, 2007 to the present. The individual was a computer network security teacher.</p>	<p>Current Status:</p> <p>We followed up on WSACTC's professional certifications and found that the WSACTC <u>did</u> take corrective action to address our prior audit.</p> <p>The individual in question received an Emergency certification in the 2007-08 school year and also a Level I certification in December 2007.</p> <p>DE deducted the subsidy forfeiture on May 28, 2008 in the amount of \$1,271.</p>

Distribution List

This report was initially distributed to the career and technology center superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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