

WYOMING AREA SCHOOL DISTRICT
LUZERNE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Dr. Frank Casarella, Board President
Wyoming Area School District
20 Memorial Street
Exeter, Pennsylvania 18643

Dear Governor Corbett and Dr. Casarella:

We conducted a performance audit of the Wyoming Area School District (WASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period March 18, 2009 through October 24, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

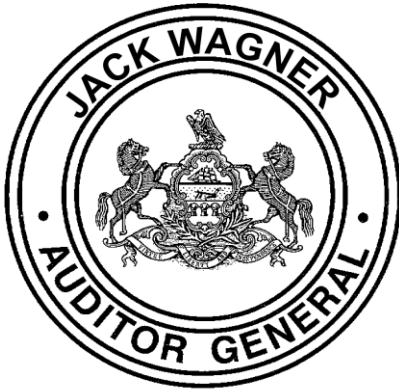
January 20, 2012

cc: **WYOMING 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 Wyoming Area School District (WASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WASD in response to our prior audit recommendations.

Our audit scope covered the period March 18, 2009 through October 24, 2011, 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 2009-10 and 2008-09.

District Background

The WASD encompasses approximately 26 square miles. According to 2010 federal census data, it serves a resident population of 19,386. According to District officials, in school year 2009-10 the WASD provided basic educational services to 2,650 pupils through the employment of 169 teachers, 137 full-time and part-time support personnel, and 10 administrators. Lastly, the WASD received more than \$11.1 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the WASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the WASD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the WASD had taken appropriate corrective action in implementing nine of our eighteen recommendations pertaining to unmonitored vendor system access and logical access control weaknesses and their Memorandum of Understanding (see page 7).



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 March 18, 2009 through October 24, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the WASD's compliance with applicable state laws, 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?
- ✓ Does the LEA have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Management System (PIMS) is complete, accurate, valid and reliable?
- ✓ In areas where the District receives transportation subsidies, is the District and any contracted vendors, in compliance with applicable state laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of new bus drivers?
- ✓ 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?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with Local Law Enforcement?
- ✓ Were votes made by the District's Board members free from apparent conflicts of interest?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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.

WASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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

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, contracts, grant requirements and administrative procedures.

designed and implemented. Additionally, we gained a high-level understanding of the District's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, and pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 11, 2009, we reviewed the WASD's response to DE dated March 10, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Wyoming Area School District (WASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in two observations. The first observation pertained to unmonitored vendor system access and logical access control weaknesses, and the second Memorandum of Understanding not updated timely. 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 WASD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the WASD had taken appropriate corrective action in implementing nine of our eighteen recommendations pertaining to unmonitored vendor system access and logical access control weaknesses and did implement recommendations related to their Memorandum of Understanding not updated timely.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation No. 1: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Observation

Summary:

Our prior audit found that the WASD uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the District's entire computer system, including all their data and the above vendor's software are maintained on another vendor's servers which are physically located at this second vendor's data center. The District has remote access into the second vendor's network servers. The second vendor also provides the District with system maintenance and support.

Recommendations:

Our audit observation recommended that the WASD:

1. Develop a written signed agreement with the vendor to provide student accounting applications and related information technology (IT) services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses). All contracts and contract changes should be reviewed by legal advisors.
2. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.

3. Require all employees to sign this policy.
4. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's Acceptable Use Policy.
5. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
6. Require and assign a unique userID for each employee accessing the system.
7. 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 District should maintain a password history.
8. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District system. Further, the District 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.
9. Allow access to only their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes.
10. 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 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.
11. Upgrade the remote access software to the most current version.
12. Encrypt the District's remote connections.
13. Be able to provide documentation e.g., screen shots that evidence the remote access software security features are enabled.

14. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.
15. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.
16. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
17. Back up the application(s) before placing program changes into production to ensure it could recover if problems are encountered.
18. To mitigate IT control weaknesses, the District should have compensating controls that would allow the District to detect unauthorized changes to the membership database in a timely manner.

Current Status: During our current audit procedures we found that the WASD had taken appropriate corrective action in implementing recommendations 1, 2, 5, 6, 8, 11, 12, 17 and 18, recommendations 3, 4, 7, 9, 10, 13, 14, 15 and 16 were not implemented. We once again urge the District to adopt the remaining procedures outlined in our recommendations.

Observation No. 2: Memorandum of Understanding Not Updated Timely

Observation Summary:

Our prior audit of the District's records found that the current Memorandums of Understanding (MOU) between the District and four local law enforcement agencies were not updated timely. The MOUs with two of the four local law enforcement agencies were signed April 23, 2001 while the other two were signed March 28, 2001.

Recommendations:

Our audit observation recommended that the WASD:

1. Continue to review, update and re-execute the current MOUs between the District and the four local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status:

During our current audit procedures we found that the WASD did implement the recommendations.



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:

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

The Honorable Ronald J. Tomalis
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Nichole Duffy
Director, Bureau of Budget and
Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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