

WYOMING AREA SCHOOL DISTRICT
LUZERNE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER, 2009

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

Mr. Nicholas T. DeAngelo, Board President
Wyoming Area School District
20 Memorial Street
Exeter, Pennsylvania 18643

Dear Governor Rendell and Mr. DeAngelo:

We conducted a performance audit of the Wyoming Area School District (WASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period April 14, 2006 through March 18, 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, 2007, 2006 and 2005. 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, regulations, contracts, grant requirements, and administrative procedures. We identified two matter 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 WASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

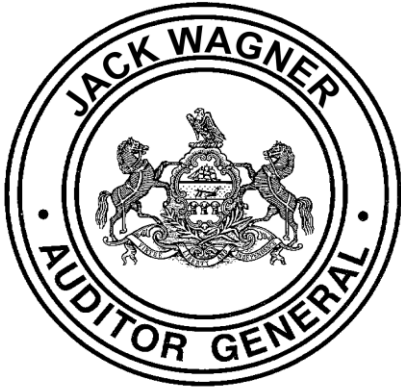
JACK WAGNER
Auditor General

December 11, 2009

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, regulations, 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 April 14, 2006 through March 18, 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, 2006-07, 2005-06 and 2004-05.

District Background

The WASD encompasses approximately 265 square miles. According to 2000 federal census data, it serves a resident population of 20,386. According to District officials, in school year 2007-08 the WASD provided basic educational services to 2,860 pupils through the employment of 171 teachers, 127 full-time and part-time support personnel, and 12 administrators. Lastly, the WASD received more than \$10.2 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the WASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding and one matter unrelated to compliance that is reported as an observation.

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

We noted that WASD personnel have no controls over remote access to their membership data. In particular, the WASD has no control over outside vendor access to student accounting applications (see page 6).

Observation No. 2: Memorandum of Understanding Not Updated Timely.

Our audit of the WASD's records found that the current Memorandum of Understandings (MOU) between the WASD and four local enforcement agencies were not updated timely. Two were last signed April 23, 2001, while the other two were signed March 28, 2001. During our audit, the WASD updated the MOUs (see page 11).

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 2004-03 and 2002-03 school years, we found the WASD had taken appropriate corrective action in implementing our recommendations pertaining to certification irregularities (see page 13).

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 14, 2006 through March 18, 2009, except for the verification of professional employee certification which was performed for the period April 1, 2006 through February 25, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 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 WASD'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?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board 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 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 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 finding, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding, observation 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, 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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 August 18, 2006, we reviewed DE's Settlement and Release Agreement dated January 8, 2007, which releases WASD of the certification penalty cited in our prior audit.

Findings and Observations

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 to access the computer systems.

The Wyoming Area School District 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.

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 is not adequately monitoring vendor activity in their 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 to have the following weaknesses over vendor access:

1. The District does not have a formal contract with the vendor to provide student accounting applications and related information technology services.
2. The District does not have a fully executed maintenance agreement on file.

3. All District employees are not required to sign that they agree to abide by the information technology (IT) Security Policy. It is only signed by students.
4. 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.
5. The District does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
6. The District does not require users to have their own unique userIDs and passwords.
7. 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 their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special character; also the District should maintain a password history.
8. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
9. The vendor has unlimited access (24 hours a day/7 days a week) into the District's system.
10. The District does not have evidence that they are generating or reviewing monitoring reports of user access and activity on the system (including vendor and District employees). There is no evidence that the District is performing procedures to determine which data the vendor may have altered or which vendor employees accessed their system.
11. The District/vendor is not using the most current version of the remote access software.

12. The District has not enabled all security features of its remote access software. The District does not use encryption to secure the District's remote connections.
13. The District did not provide requested documentation to evidence that security features are enabled in the remote access software.
14. The District does not require written authorization prior to the updating/upgrading of key applications or changing user data.
15. The District does not have formal policies in place to control emergency changes to systems or programs.
16. The District does not have current policies or procedures in place to analyze the impact of proposed program changes in relation to other business-critical functions.
17. The District is not backing up the application(s) before placing program changes into production.
18. The District does not have any compensating controls that would mitigate the IT weaknesses and would support that the District would be alerted 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 *Wyoming Area School District* should:

1. Develop a written signed agreement with the vendor to provide student accounting applications and related 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 user-ID 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. Only allow access to 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.

Management Response

Management stated the following:

The District will implement the recommendations as outlined in the Audit Finding.

Observation No. 2

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 sample 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 District's records found that the current Memorandums of Understanding (MOU) between the District and four local law enforcement agencies: Pennsylvania State Police Troop P, Wyoming Barracks (PSP), Wyoming, West Pittston and Exeter Borough police departments were not updated timely. The MOU with the PSP and Wyoming Borough was signed April 23, 2001 while those with the other two had not been updated since March 28, 2001.

The failure to update 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 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.

During our fieldwork on March 11, 2009, the PSP and Wyoming Borough Police Department signed an updated MOU with the District. On March 12, 2009, the West Pittston and Exeter Borough police departments signed an updated MOU with the District. Also, the District added one additional MOU for Exeter Township Police Department, which was signed on March 11, 2009.

Recommendations

The *Wyoming Area School District* should:

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

Management Response

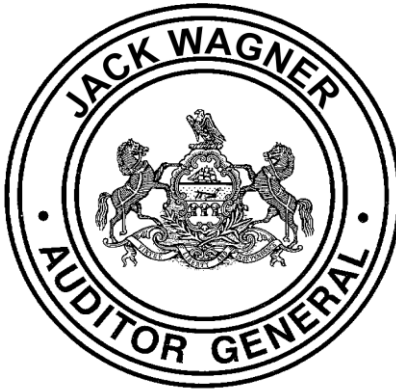
Management stated the following:

I have scheduled a meeting with local Law Enforcement Agencies and the current Memorandum(s) of Understanding(s) will be in place on March 13, 2009 prior to the Auditor leaving.

Status of Prior Audit Findings and Observations

Our prior audit of the Wyoming Area School District (WASD) for the school years 2003-04 and 2002-03 resulted in one finding. The finding pertained to certification irregularities. 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 finding. As shown below, we found that the WASD did implement recommendations related to the certification irregularities.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Certification Irregularities</i></u></p> <ol style="list-style-type: none"> 1. Ensure that professional employees with provisional certificates receive their permanent certificates in a timely manner. 2. The Department of Education (DE) should adjust the District's allocations to recover any subsidy forfeiture deemed necessary. 	<p>Background:</p> <p>Our review of the professional employees' certification and assignments for the period July 1, 2003 through March 31, 2006, was conducted to determine compliance with the Public School Code, Bureau of School Leadership & Teacher Quality, DE's Certification and Staffing Policies and Guidelines. Our review found that two principals held Administrative Level I certification, valid for a period of three years.</p>	<p>Current Status:</p> <p>We followed up on the WASD certification and found that the WASD <u>did</u> take appropriate corrective action by ensuring their professional personnel are properly certified. DE and WASD have entered into a Settlement And Release Agreement which released WASD of any subsidy forfeiture due from our prior audit citation.</p>



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 Edward G. Rendell
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Senator Andrew Dinniman
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Senate Education Committee
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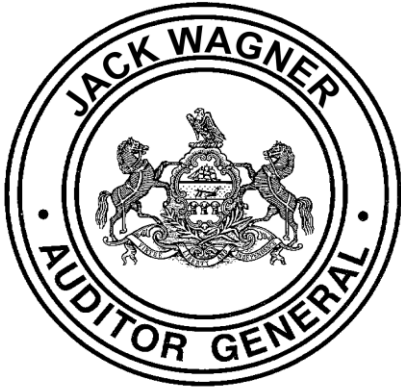
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