

YOUGH SCHOOL DISTRICT
WESTMORELAND COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2013



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

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

Mr. Kenneth Bach, Board President
Yough School District
915 Lowber Road
Herminie, Pennsylvania 15637

Dear Governor Corbett and Mr. Bach:

We conducted a performance audit of the Yough School District (YSD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period June 29, 2009 through June 14, 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 YSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. In addition, 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 findings, observation and recommendations have been discussed with YSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve YSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the YSD's cooperation during the conduct of the audit.

Sincerely,

/s/
JACK WAGNER
Auditor General

January 14, 2013

cc: **YOUGH SCHOOL DISTRICT** Board Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$12,495	6
Finding No. 2 – Certification Deficiencies	8
Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses	10
Status of Prior Audit Findings and Observations	14
Distribution List	15



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Yough School District (YSD). Our audit sought to answer certain questions regarding the YSD's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period June 29, 2009 through June 14, 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 YSD encompasses approximately 77 square miles. According to 2000 federal census data, it serves a resident population of 17,485. According to District officials, in school year 2009-10 the YSD provided basic educational services to 2,328 pupils through the employment of 160 teachers, 67 full-time and part-time support personnel, and 10 administrators. Lastly, the YSD received more than \$14.2 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the YSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings. In addition, one matter unrelated to compliance is reported as an observation.

Finding No. 1: Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$12,495. Our audit of the YSD's transportation records for the 2008-09 school year found various errors in reporting pupil transportation data to the Pennsylvania Department of Education. These errors resulted in a net transportation subsidy overpayment of \$12,495 (see page 6).

Finding No. 2: Certification Deficiencies. Our audit of professional employees' certification for the period July 1, 2010 through June 30, 2011, found that three professional employees were assigned to teaching positions without holding proper certification (see page 8).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. The YSD uses software purchased from an outside vendor for its critical student accounting application (membership and attendance). Based on our current year procedures, we determined that a risk exists that unauthorized changes to the YSD's data could occur and not be detected because the YSD was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 10).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

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 June 29, 2009 through June 14, 2011, except for employee certification which was performed for the period July 1, 2010 through June 30, 2011.

Regarding state subsidy and reimbursements, our audit covered school years period 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 Pennsylvania 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 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 YSD'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?
- ✓ 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 buy-out 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?

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, 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.

YSD 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 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 pupil transportation, 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 YSD operations.

Findings and Observations

Finding No. 1 →

Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$12,495

Criteria relevant to the finding:

PDE instructions for completing the end-of-year summary report require any changes in the miles with and miles without pupils, total mileage, the number of days the vehicle provided transportation to and from school, and the number of pupils transported to be based on actual data, using the District's daily records and weighted averaging of mileage and pupils.

Section 2509.3 of the Public School Code provides, in part:

“For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of \$385 for each nonpublic school pupil transported.”

Our audit of the YSD's transportation records for the 2008-09 school year found various errors in reporting pupil transportation data to the Pennsylvania Department of Education (PDE). These errors resulted in a net transportation subsidy overpayment of \$12,495.

The inaccuracies were as follows:

- For one contractor, the daily mileage traveled was incorrectly reported for 35 of 35 buses.
- The greatest number of pupil transported was inaccurately reported for 33 of 35 of the buses.

Both items listed above were due to the bus garage incorrectly rounding averages for mileage and pupil counts. The effect of these errors was an underpayment of \$980.

- The number of nonpublic pupils transported was inaccurately reported. The District reported 35 pupils who attended facilities that were not eligible nonpublic schools.

The errors occurred because the administration was not verifying odometer readings, pupil counts, and nonpublic pupil data reported by the contractor for accuracy. The District was also unaware of the ineligibility of the pupils incorrectly reported as nonpublic.

The effect of the errors was an overpayment of \$13,475.

No significant problems were noted in the 2009-10 school year.

We have provided PDE with reports detailing the errors to be used in the recalculation of the District's pupil transportation subsidy.

Recommendations

The *Yough School District* should:

1. Accurately report all data elements used in the calculation of pupil transportation subsidy.
2. Report only eligible pupils as nonpublic pupils.
3. Review all data before submitting reports to PDE.

The *Pennsylvania Department of Education* should:

4. Adjust future District allocations to correct the net overpayment.

Management Response

Management provided a response agreeing with the finding and making no further comment at the time of our audit.

Finding No. 2

Criteria relevant to the finding:

Section 1202 of the Public School Code (PSC) provides, in part:

“No teacher shall teach, in any public school, any branch which has not been properly certified to teach.”

Section 2518 of the PSC provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certified for his position by the Pennsylvania Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district’s aid ratio.”

Certification Deficiencies

Our audit of professional employees’ certification for the period July 1, 2010 through June 30, 2011, found that three professional employees were assigned teaching positions without holding proper certification.

The certification deficiencies involved three employees assigned to a computer education course without being properly certified to teach this course. The District administration was unaware of Pennsylvania Department of Education (PDE) certification requirements for teaching this course.

Information pertaining to the deficiencies was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), PDE, for its review. BSLTQ subsequently confirmed the deficiencies. Therefore, the District is subject to a subsidy forfeiture of \$1,743 for the 2010-11 school year.

Recommendations

The *Yough School District* should:

1. Put procedures in place to compare teachers’ certification to the certification requirements of the assignments the District intends to give the teacher.
2. Require the teachers to obtain proper certification as required for their positions or reassign them to areas in which they are properly certified.

The *Pennsylvania Department of Education* should:

1. Recover the subsidy forfeiture levied as a result of BSLTQ’s determination.

Management Response

Management provided a response agreeing with the finding and making no further comment at the time of our audit.

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 Vendor System Access and Logical Access Control Weaknesses

The Yough 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 server.

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 in its system.

Unmonitored 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 vendor access to its system:

1. The contract with the vendor was not reviewed by the District’s legal counsel.
2. The District does not have current information technology (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, numeric and special characters; to maintain a password history (i.e., approximately ten

passwords); to lock out users after three unsuccessful attempts; and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

6. The vendor uses a group userID rather than requiring that each employee has a unique userID and password
7. The District does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and District employees). There is no evidence that the District is performing procedures in order to determine which data the vendor may have altered or which vendor employees accessed its system.
8. The District/vendor is not using the most current version of the remote access software.
9. 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.
10. The District does not require written authorization prior to updating/upgrading of key applications.
11. 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.
12. The District does not have a list of personnel with authorized access to the area where the servers with the membership/attendance data reside.
13. 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.

14. The District does not have any compensating controls that would mitigate the IT weaknesses and 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 *Yough School District* should:

1. Have the contract with the vendor reviewed by legal counsel.
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); lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).
6. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the District's system. Further, the District should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives.

7. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its 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 the data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.
8. Upgrade the remote access software to the most current version.
9. Encrypt the District's remote connections.
10. The upgrades/updates to the District's system should be made only after receipt of written authorization from appropriate District officials.
11. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.
12. Develop and maintain a list of authorized individuals with access to the hardware (servers) that contains the membership/attendance data.
13. 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/install fire extinguishers in the computer room).
14. 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 provided a response agreeing with the observation and making no further comment at the time of our audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Yough School District resulted in no findings or observations.

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
Pennsylvania 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

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

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.

