
COMMONWEALTH OF PENNSYLVANIA



WARREN COUNTY SCHOOL DISTRICT
WARREN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

JACK WAGNER, AUDITOR GENERAL

PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL



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

JACK WAGNER
AUDITOR GENERAL

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

Mr. Arthur Stewart, Board President
Warren County School District
185 Hospital Drive
North Warren, Pennsylvania 16365

Dear Governor Rendell and Mr. Stewart:

We conducted a performance audit of the Warren County School District (WCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period August 30, 2006 through October 8, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, 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 WCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in three findings noted in this report. In addition, 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 findings, observations and recommendations have been discussed with WCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WCSD's cooperation during the conduct of the audit and its willingness to implement our recommendations.

Sincerely,

A handwritten signature in cursive script, reading "Jack Wagner".

JACK WAGNER
Auditor General

January 25, 2010

cc: **WARREN COUNTY SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 - Nonpublic Pupil Transportation Reimbursement Was Overpaid \$5,775 and Other Transportation Documentation Was Inadequate	6
Finding No. 2 - Lack of Documentation Necessary to Verify Bus Drivers' Qualifications	9
Finding No. 3 - Administrative Weaknesses Resulted in Unverifiable Social Security and Medicare Reimbursements of \$2,446,448	12
Observation No. 1 - Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications	15
Observation No. 2 - Undocumented Vendor System Access and Weaknesses in Logical Access and Environmental Controls	17
Status of Prior Audit Findings and Observations	19
Distribution List	21



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Warren County School District (WCSD). 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 WCSD in response to our prior audit recommendations.

Our audit scope covered the period August 30, 2006 through October 8, 2008, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

The WCSD encompasses approximately 792 square miles. According to 2000 federal census data, it serves a resident population of 40,689. According to District officials, in school year 2005-06, the WCSD provided basic educational services to 5,552 pupils through the employment of 474 teachers, 302 full-time and part-time support personnel, and 28 administrators. Lastly, the WCSD received more than \$33 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the WCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for three compliance-related matters reported as findings. In addition, we identified two matters unrelated to compliance that are reported as observations.

Finding 1: Nonpublic Pupil Transportation Reimbursement Was Overpaid \$5,775 and Other Transportation Documentation Was Inadequate. The WCSD over reported the number of nonpublic pupils transported and lacked documentation to support transportation reimbursement data submitted to the Department of Education (see page 6).

Finding 2: Lack of Documentation Necessary to Verify Bus Drivers' Qualifications. For several bus drivers the WCSD did not have on file the required documentation necessary to determine if they were properly qualified to transport children (see page 9).

Finding 3: Administrative Weaknesses Resulted in Unverifiable Social Security and Medicare Reimbursements of \$2,446,448. Our audit of reported Social Security and Medicare Wages found internal control weaknesses, making the verification of reimbursement received impossible (see page 12).

Observation 1: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

Neither WCSD nor its contractors have a policy in place to determine if a currently employed individual is charged with or convicted of a crime (see page 15).

Observation 2: Undocumented Vendor System Access and Weaknesses in Logical Access and Environmental Controls. Our audit found that the WCSD has certain weaknesses in its logical access and environmental controls over its information technology system (see page 17).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the WCSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found WCSD had not taken appropriate corrective action in implementing our recommendations pertaining to superintendent's contracts, financial interest statements, and bus driver policies (see pages 19 and 20).

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 August 30, 2006 through October 8, 2008, except for the verification of professional employee certification which was performed for the period May 1, 2006 through June 30, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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 WCSD'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?

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 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

WCSD 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 pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, reimbursement applications, and outside vendor access controls.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on May 18, 2007, we reviewed the WCSD's response to DE dated June 30, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Nonpublic Pupil Transportation Reimbursement Was Overpaid \$5,775 and Other Transportation Documentation Was Inadequate

Criteria relevant to this finding:

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

For the school year 2001-2002 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

Chapter 23 of the State Board of Education Regulations, Section 23.4 provides, in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including the following: . . .

(5) The furnishing of rosters of pupils to be transported on each school bus run and trip.

(6) The maintenance of a record of pupils transported to and from school, including determination of pupils' distances from home to pertinent school bus loading zones. . . .

(8) Assuring that vehicles used in transporting pupils have adequate public liability insurance coverage.

Section 518 of the Public School Code requires retention of these records for a period of not less than six years.

Our audit of the Warren County School District's (WCSD) pupil transportation records for the 2005-06 school year found an error in the reporting of nonpublic pupils transported, which resulted in an overpayment of \$5,775 in nonpublic pupil transportation reimbursement.

For the 2005-06 school year, the District over reported nonpublic pupils to the Department of Education (DE) by 15; the District reported 264 nonpublic pupils transported, but supporting documentation revealed only 249 nonpublic pupils were transported. The documentation for nonpublic pupils transported in the 2004-05 school year was accurate and supported the number of nonpublic pupils reported.

We also found that the WCSD failed to maintain adequate documentation needed to verify the accuracy of hazardous route pupil transportation data submitted to the DE for the 2005-06 and 2004-05 school years. The District reported 187 hazardous route students transported in 2004-05 and 109 transported in the 2005-06 school year. However, a listing of students on hazardous routes was not available and we were not able to determine which students lived on hazardous routes and which did not.

Hazardous route students are elementary pupils that live within one and a half miles from school and secondary pupils that live within two miles of school. These pupils are normally not reportable for transportation reimbursement, but with a hazardous route designation from the Pennsylvania Department of Transportation (PennDOT), such pupils can be reported to DE for reimbursement purposes.

In addition, we tested bus mileage and pupil count documentation for 25 randomly selected vehicles for the 2005-06 school year and found that there was no documentation available for two of the vehicles.

The number of hazardous route pupils transported, the number of pupils transported daily, and daily mileage totals are integral parts of the transportation reimbursement formula and must be maintained accurately in accordance with the State Board of Education regulations and DE guidelines and instructions.

It should also be noted that during our last audit we presented a verbal comment regarding the District's transportation contractors' insurance policies. We recommended that the District inform its contractors that the WCSD must be listed as a coinsured party on the various contractors' liability insurance policies. Our review of the current insurance policies revealed that this has not yet been done.

The problems were the result of a lack of internal control over the procedures for compiling and retaining pupil transportation reimbursement data.

Recommendations

The *Warren County School District* should:

1. Implement procedures to ensure that nonpublic pupils transported by the District are reported accurately and adequate documentation is kept on file to back up the number reported.
2. Ensure that District transportation personnel keep a listing of students transported that live on hazardous routes.
3. Require District transportation personnel to keep and maintain accurate records of daily mileage and pupil counts for all vehicles.
4. Insist that the District's transportation contractors name WCSD as a coinsured on their liability insurance policies.
5. Review subsequent year reimbursement submissions and revise, as necessary.

The Department of Education should:

6. Adjust the District's subsidy to recover the \$5,775 overpayment.

Management Response

Management stated the following:

Transportation Manager is currently revising the department filing system to insure accurate data and that backups are available not only in hard copy but soft copy via the District server for future audits.

Transportation Manager is reviewing the 06-07 files to assure all documentation is available for the next audit and is available both as hard copy and soft copy.

Transportation Manager will assure that all records pertaining to Hazardous walkway students, Nonpublic students, daily mileage and student count, as well as any other information, is accurate and available.

Finding No. 2

Lack of Documentation Necessary to Verify Bus Drivers' Qualifications

Criteria relevant to the finding:

PSC Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Section 111 was amended to require any employee or employee of a contractor hired on or after April 1, 2007, to submit a copy of the Federal criminal history record that is to be obtained from the FBI.

Similarly, Section 6355 of the CPSL, 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

On October 17, 2008, our audit of records pertaining to the WCSD's contracted bus drivers found a lack of documentation needed to verify that all of the contracted drivers possessed the minimum required qualifications for employment.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following six requirements:

1. possession of a valid driver's license;
2. completion of school bus driver skills and safety training;
3. lack of convictions for certain criminal offenses;
4. Federal Bureau of Investigation (FBI) record check; and
5. official child abuse clearance statement.

The first three requirements were set by regulations issued by PennDOT. As explained in the box to the left, the fourth and fifth requirements were set by the Public School Code (PSC), and the sixth requirement was set by the Child Protective Services Law (CPSL).

We audited the personnel records of a random sample of 36 of the 177 drivers currently employed by the District's transportation contractors. District records were lacking to verify contracted drivers were properly qualified, as follows:

- four drivers did not have a valid driver's license on file;
- five drivers did not have a valid physical examination form on file;
- seven drivers did not have criminal history records on file;

- seven drivers did not have a valid FBI records check on file; and.
- eight drivers did not have a valid child abuse clearance on file.

Additionally, no documentation was on file at the District to determine if any of the drivers noted may have been employed prior to enactment of the PSC and CPSL requirements, and therefore may have been exempted through “grandfathering” clauses in the laws.

The lack of documentation was a result of District administrative personnel’s failure to ensure that the transportation contractors retained the required bus drivers’ qualifications and to review such documentation before allowing the drivers to transport school children.

Recommendations

The *Warren County School District* should:

1. Immediately obtain from the transportation contractors the missing documentation referred to in our finding in order to ensure that drivers transporting students in the District possess proper qualifications.
2. Review the files of all bus drivers to determine if any documentation is missing for those drivers not included in our sample.
3. Ensure that the District’s transportation coordinator reviews each driver’s qualifications prior to that person transporting students.

Management Response

Management stated the following:

Transportation Manager is currently revising the department filing system to insure accurate data and that backups are available not only in hard copy but soft copy via the District server for future audits.

Transportation Manager is currently revising the Driver Information files and has created a spreadsheet that displays all required clearances, driver license info including CDLs [commercial driver’s licenses], physical dates, DOH [date of hire], and bus/van assignment. The

Manager will ensure that all records are current and accounted for with hard copy in each driver file before the driver is allowed to transport students. This spreadsheet will be available both as hard copy and soft copy.

Transportation Manager has updated the Driver Identification form that each driver fills out to insure that all required data is submitted to the Transportation Office. This form will be distributed to each Contractor at our October meeting and each driver will be required to return the completed form by December.

Transportation Manager will assure that all records pertaining to Driver Information are accurate and available for future audits.

Finding No. 3

Criteria relevant to the finding:

The 1986 Budget Reconciliation Act requires Local Education Agencies (LEA) to deposit Social Security and Medicare tax contributions for wages earned on or after January 1, 1987, directly to authorized depositories or Federal Reserve banks. LEAs were required to pay the full amount of the employer's tax due, including the Commonwealth's share, which is 50 percent of the employer's share of tax due for employees employed by an LEA prior to July 1, 1994, (existing employees). LEAs are subsequently reimbursed for the Commonwealth's matching share based on wages reported to DE, excluding wages paid with federal funds.

Administrative Weaknesses Resulted in Unverifiable Social Security and Medicare Reimbursements of \$2,446,448

Our audit of Social Security and Medicare Wages reported for the 2005-06 and 2004-05 school years found numerous administrative internal control weaknesses, which made the verification of the accuracy of Social Security and Medicare reimbursement received by the District impossible to determine. The District received reimbursements of \$1,168,550 in the 2005-06 school year and \$1,277,898 in the 2004-05 school year.

Weaknesses noted were as follows:

During the fourth quarter of 2005 the District changed payroll processing software. As a final test before conversion the new software was run parallel to the old system for the quarter ended December 31, 2005. When the totals for Social Security and Medicare reporting were compared on both reports, District personnel noted that the new system did not total the District-paid wages and federal wages. Therefore the District needed to recalculate the total wages for the application (PDE 2105) to DE.

In April of 2008, District personnel realized the recalculation had not been done, resulting in the District-paid wages being understated by \$849,847 for the quarters ending March 31, 2006 and June 30, 2006. An amended report was prepared in April of 2008, claiming an additional reimbursement of \$122,130. However, for unexplained reasons this amended application was never submitted to DE.

For both years of audit, District personnel indicated that they did not reconcile quarterly payroll reports to determine if there was an appropriate allocation of employees paid through multiple grants, or to determine if individuals should still be classified as federal employees. We found that payroll records were not maintained that would identify employee wages funded by federal funds.

Our audit also found that the District inflated its federal wages by including some wages paid by Commonwealth grant monies. Furthermore, we were unable to determine the actual federal wages paid through use of the final expenditure reports for federal programs, because they were based on budgeted or projected amounts and could not be tied into federal wages reported to DE.

Recommendations

The *Warren County School District* should:

1. Comply with DE instructions when reporting wages paid by federal funds.
2. Perform an internal review of reports submitted subsequent to the years of audit, making necessary revisions as required.
3. Maintain payroll and grant expenditure records that identify actual employee wages paid with federal funding.

Management Response

Management stated the following:

The administration would like to express our appreciation to the state Auditors for making us aware of reconciliation discrepancies within the Social Security and Medicare reimbursement area.

This will give us the opportunity to improve internal control over the reconciliation process.

We believe it is important to note that wages, compensation, state & federal withholding, have been properly reported & paid timely to the federal government and state authority. This includes federal 941's and W-2's, tax deposits and state UC-21, E-1, and withholding reports and tax deposits.

The audit finding deals with the issue properly allocating Federal Wages versus non federal wages in connection with State reimbursement for the employer cost of Social Security and Medicare taxes. The state reimburses the district approximately 50% of the FICA cost for qualifying non federal wages. The Audit revealed discrepancies in those allocations.

These discrepancies occurred prior to the tenure of current administrators in the Payroll and business services departments.

Corrective action will include performing detailed analysis of the aforementioned fiscal periods beginning in 2004-2005 and forward. Comparative analysis will include comparing federal programs funding and expenditure, payroll reporting, and reconciliation with general ledger accounts.

Based upon the results of those procedures, any amended reports which may be required will be prepared and filed with the State.

Subsequent district procedure will include reconciliation of the three areas; Federal Programs, Payroll, and General Ledger accounting on a quarterly basis when payroll tax returns are filed.

Observation No. 1

Criteria relevant to the observation:

PSC Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Section 111 was amended to require any employee or employee of a contractor hired on or after April 1, 2007 to submit a copy of the Federal criminal history record that is to be obtained from the FBI

Similarly, Section 6355 of the CPSL, 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

The ultimate purpose of the requirements detailed in the box to the left is to ensure the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not listed at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

The records available found no serious crimes as referred to in the previous paragraph, committed by the District's bus drivers. However, as noted in Finding No. 2, our review found that not all of the needed documentation was available. In addition, neither the District nor the transportation contractors have written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

It should be noted that this same issue was presented to the District during our last audit in the form of a written observation, and the District failed to act on it.

Recommendations

The *Warren County School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.

2. Implement written policies and procedures to ensure that the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Management Response

Management stated the following:

Transportation Manager has prepared policy and procedure outlining how documentation will be done to insure Drivers are properly cleared prior to allowing them to transport students. This Policy was submitted to the Auditor General [sic] who replied to this District via [a] letter which stated that the Policy satisfied the previous audit deficiency. The policy has been forwarded to the School Board for approval and implementation.

The Contractor handbook does give directions to the Contractor as to how to deal with drivers that are charged or arrested for any traffic violations especially those that reflect driving under the influence of drugs or alcohol. This manual is issued to all the drivers and contractors each year before the start of the school year.

The Transportation Manager has revised the Handbook to include Criminal Charges that may affect the driver's suitability to have direct contact with students.

Auditor's Conclusion

The District policy still does not apply to *current* drivers. The revised policies and contractor's handbook are very in-depth and generally very good, with that exception. The transportation director did tell the auditor, on the last day of the audit, that the problem would be corrected with a newly revised contractor's handbook to be issued soon. We will follow up on this corrective action during our next audit.

A clarification must be made to a point made in the management response. The policy was *not* submitted to the Auditor General as stated. The policy and District response was submitted to the DE. DE's letter stated that *if* the action plans outlined were implemented, the District would be in compliance.

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, authorization, and authentication to access the computer systems.

Undocumented Vendor System Access and Weaknesses in Logical Access and Environmental Controls

The WCSD has certain weaknesses in logical access controls. We noted that the District does not allow users to generate their own pass codes; instead the District utilizes a random pass code generator program to generate and then distributes pass codes to all users. These codes are in compliance with syntax requirements. But the pass code change procedure is only performed once to twice a year.

Vendor access to the District's membership and attendance system occurs only with the District's approval. However, currently the District has no logging mechanism to document what actions the vendor has performed while having access. Therefore the District cannot confirm that vendor activity was limited to the approved purpose.

Best business practices require that pass codes should be changed every 30 days and a password history maintained. Additionally, vendor access must be logged to ensure that activity was limited to the vendor's approved purpose.

Furthermore, the District has certain weaknesses in environmental controls in the room that contains the District's servers. We noted during our visit to the server room that the room does not have any fire suppression equipment.

Recommendations

The *Warren County School District* should:

1. 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 that will prevent the use of a repetitive password (i.e., last ten passwords) and lock out users after three unsuccessful attempts.

2. Generate monitoring reports (including firewalls logs) of outside vendor 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 also 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.
3. Implement 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 extinguishers in the server room.

Management Response

Management stated the following:

1. The Warren County School District Technology Department has been testing password systems and is prepared to implement a system within the next two months. Passwords currently meet the appropriate password syntax requirements, but they are not employee generated and changed as frequently as recommended. The district currently employs a log off policy when users are inactive for 10 minutes.
2. The Warren County School District Technology Department currently limits vendor access to the district's membership and attendance systems. The district provides access to the vendor when the request from the vendor is justified and necessary. The district has begun conversations with [the vendor] to log this vendor activity and will follow up until resolved.
3. The Warren County School District Technology Department will work with the Warren County School District Buildings and Grounds Department to install fire extinguishers in the server room at Allegheny Valley Elementary School. The lack of a fire extinguisher was an oversight.

Status of Prior Audit Findings and Observations

Our prior audit of the Warren County School District (WCSD) for the school years 2003-04 and 2002-03 resulted in two reported findings and one observation. The first finding pertained to a buy-out of the superintendent's contract, and the second finding pertained to board members failure to file Statements of Financial Interests. The observation pertained to internal control weaknesses in policies regarding bus driver qualifications. 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 WCSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the WCSD did not implement recommendations related to either of the findings or the observation.

School Years 2002-03 and 2003-04 Auditor General Performance Audit Report

Prior Recommendations	Implementation Status	
<p><u><i>1. Finding 1: The District Failed to Provide Adequate Termination Provisions in the Superintendent's Employment Contract Leading to a Buy-Out of the Contract; It is Questionable Whether This Buy-Out was in the Best Interest of the Taxpayers of the District</i></u></p> <p>1. Ensure that future employment contracts contain adequate provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.</p> <p>2. Provide as much information as possible to the taxpayers of the District explaining the reasons for the termination of the Superintendent and justifying the District's expenditure of public funds to buy out the Superintendent's contract.</p>	<p>Background:</p> <p>Our prior audit found that the board hired a Superintendent on July 15, 2003 for a five year period through July 14, 2008. On May 8, 2006, the board approved a buy-out of the contract, retaining him as Superintendent until June 30, 2006. The buy-out agreement contained provisions that allowed the Superintendent to remain as a consultant, paid him a salary of \$70,157, and in addition approximately \$30,000 in unused sick leave and leave with pay days. They also paid for his dental and health insurance for seven months. The original contract did not provide for a buy-out clause.</p>	<p>Current Status:</p> <p>Since the last audit there has not been a buy-out of a superintendent's contract.</p> <p>However, in January of 2008 a contract for the current superintendent was entered into that contained the same language as the previous contract cited in our prior audit.</p> <p>Accordingly, we concluded that the District did not follow our recommendations. We again recommend that the District add adequate provisions to employment contracts to avoid future buy-out situations. These provisions should address, at the outset of employment, compensation payable upon premature termination.</p>

<p><u>II. Finding 2: Board Members Failed to File Statements of Financial Interests in Violation of the State Public Official and Employee Ethics Act</u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when an elected board member fails to file Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. 	<p>Background:</p> <p>Our prior audit of District records found that four of the nine elected board members failed to file Statements of Financial Interests for the year ended December 31, 2004.</p>	<p>Current Status:</p> <p>Our current audit found that one board member failed to file Statements of Financial Interests for 2005 and one failed to file for 2007. A verbal comment was given to the District and a report was filed with the State Ethics Commission.</p> <p>We therefore concluded that the District did not follow our recommendations.</p>
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<p><u>Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</u></p> <ol style="list-style-type: none"> 1. Developing a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children. 2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children. 	<p>Background:</p> <p>Neither the District nor its transportation contractors had policies in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered this lack of written policies and procedures to be an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p>Current Status:</p> <p>As noted in Observation No. 1 in our current report, the District did not change any policies since our last audit (see page 15).</p> <p>Therefore we concluded that the District did not follow our recommendations.</p>
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333 Market Street

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

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Harrisburg, PA 17120

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Harrisburg, PA 17120

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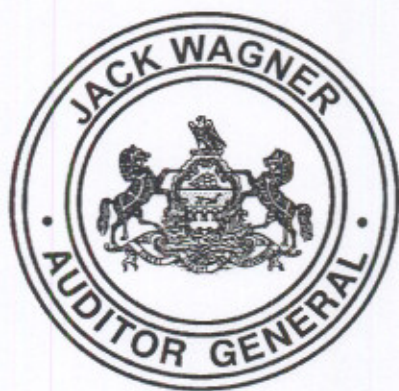
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Harrisburg, PA 17120

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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

Mr. John J. Contino
Executive Director
State Ethics Commission
Room 309 - Finance Building
PO Box 11470
Harrisburg, PA 17108



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