

PERFORMANCE AUDIT

Huntingdon County Career and Technology Center Huntingdon County, Pennsylvania

January 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Andrea Y. Christoff
Joint Operating Committee Chairperson
Huntingdon County Career and
Technology Center
11893 Technology Drive
Mill Creek, Pennsylvania 17060

Dear Governor Wolf and Ms. Christoff:

We conducted a performance audit of the Huntingdon County Career and Technology Center (Center) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period February 7, 2011 through October 7, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 Center complied, in all significant respects, with relevant requirements. However we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit observation and recommendations have been discussed with the Center's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the Center's operations and facilitate compliance with legal and administrative requirements. We appreciate the Center's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

January 22, 2015

cc: **HUNTINGDON COUNTY CAREER AND TECHNOLOGY CENTER**
Joint Operating Committee Members

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Executive Summary

Audit Work

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

Our audit scope covered the period February 7, 2011 through October 7, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

Center Background

According to Center officials, in the 2011-12 school year the Center provided educational services to 306 secondary pupils and 28 post-secondary pupils through the employment of fourteen (14) teachers, seven (7) full-time and part-time support personnel, and four (4) administrators. A joint operating committee (JOC), which is comprised of eight (8) members from the following school districts, directs the operation, administration, and management of the school:

Huntingdon Area
Juniata Valley
Mount Union Area
Southern Huntingdon County

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. The Center received \$386,562 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the Center complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one (1) matter unrelated to compliance that is reported as an observation.

Observation: The Center Spent \$27,984 on Agreements that Terminated the Employment of the Executive Director and Business Manager. Our audit found that the Huntingdon County Career Center expended \$27,984 on release agreements with the former Executive Director and former Business Manager (see page 5).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Huntingdon County Career and Technology Center (Center) from an audit released on June 2, 2011, we found that the Center had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 11).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 February 7, 2011 through October 7, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through December 31, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all LEAs have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) 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 Center's compliance with certain relevant 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 Center received state subsidies and reimbursements based on pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the Center have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the Center’s fiscal viability?
- ✓ Did the Center pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the Center take appropriate steps to ensure school safety?
- ✓ Did the Center have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the Center take appropriate corrective action to address recommendations made in our prior audit?

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Center’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the Center’s internal controls, including any information technology controls, as they relate to the Center’s compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were

properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil membership, professional employee certification, financial stability, reimbursement applications, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the Center's operations.

To determine the status of our audit recommendations made in a prior audit report released on June 2, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

The Center Spent \$27,984 on Agreements that Terminated the Employment of the Executive Director and Business Manager

Criteria relevant to the observation:

Section 1080 (a) of the Public School Code (PSC), 24 P.S. § 10-1080(a), provides, in part:

“Removal.--(a) District superintendents and assistant district superintendents may be removed from office and have their contracts terminated, after hearing, by a majority vote of the board of school directors of the district, for neglect of duty, incompetency, intemperance, or immorality, of which hearing notice of at least one week has been sent by mail to the accused, as well as to each member of the board of school directors.

(b) The board of school directors shall publicly disclose at the next regularly scheduled monthly meeting the removal of a district superintendent or assistant district superintendent from office under subsection (a).”

Section 1164 of the PSC, Section 24 P.S. § 11-1164, states, in part:

“School Administrator shall mean any employee of the school entity below the rank of district superintendent, executive director, director of vocational-technical school, assistant district superintendent or assistant executive director, but including the rank of first level supervisor...” (*emphasis added*)

Our audit of the Huntingdon County Career and Technology Center (Center) found that the Center’s Joint Operating Committee (JOC) entered into two (2) separate settlement agreements with former employees, which cost a total of \$27,984. Both the former Executive Director and the former Business Manager resigned in late spring of 2013, and they subsequently received leave payouts and payments for benefits through separation agreements negotiated with the JOC.

Executive Director

In April 2009, the Center’s JOC entered into an employment agreement with an individual to serve as the Center’s Executive Director. The Contract had a term from April 14, 2009 to June 30, 2012, and provided annual compensation of \$85,000, plus a variety of benefits. The JOC chose not to renew the contract prior to it expiring, but the Executive Director continued to serve in her position until May 24, 2013, at which time she was put on administrative leave without pay. She resigned a short time later on June 30, 2013, and the JOC chose to enter into a Settlement Agreement that paid her for remaining salary and benefits, despite the fact that she had no active contract at the time.

The Contract included the following provisions with regard to the termination of the Executive Director’s employment with the Center:

The Executive Director may terminate this agreement by written resignation presented not less than sixty (60) days prior to the effective date of such resignation or by the Joint Operating Committee giving Executive Director official written notice consistent with the provisions of the “Public School Code of 1949” (Code) as amended.

Criteria relevant to the observation (continued):

Section 1073(e) (2) of the PSC, 24 P.S. § 10-1073 (e) (2), states:

“Manner of Election

(2) A contract for the employment of a district superintendent or assistant superintendent shall do all of the following:

(iv) Specify the term of employment and state that the contract shall terminate immediately, except as otherwise provided under this section, upon the expiration of the terms unless the contract is allowed to renew automatically under subsection (b).

(v) Specify the termination, buyout and severance provisions, including all postemployment compensation and the period of time in which compensation shall be provided. Termination, buyout and severance provisions may not be modified during the course of the contract or in the event a contract is terminated prematurely.”

There were no other termination provisions provided for in the Contract.

After the Executive Director was suspended without pay for the period May 24, 2013 through June 3, 2013, the JOC voted on June 11, 2013, to accept the resignation of Executive Director, effective June 30, 2013. The auditors were not provided any information that outlined an explanation for why the former Executive Director was suspended without pay.

Despite not being under contract from June 30, 2012, the JOC agreed to a Settlement and Release Agreement (Agreement) with the former Executive Director. By approving this Agreement, the JOC committed the Center to spending an additional \$21,299 that they were not contractually obligated to spend, since the former Executive Director’s contract had expired on June 30, 2012.

The Agreement required the Center to make the following payments to the former Executive Director, the projected value of which we calculated to be \$21,299:

- Remaining salary for the period from June 3, 2013 through June 30, 2013 (\$6,769).
- Payment for 98 unused sick days at the daily rate of \$30 per day (\$2,940).
- Payment for health insurance, including dental and vision, until August 31, 2013 (\$1,606).
- Payment for 10 unused personal days and 19.5 unused vacation days at her per diem rate of \$338 (\$9,984).

This buy-out may have been averted, or the cost significantly reduced, if the Center had included and/or enforced provisions in an employment contract with the former Executive Director regarding the compensation and benefits payable upon the premature termination of the contract. The time to negotiate those terms is at the outset of the employment relationship, not when matters turn potentially hostile between the parties.

Business Manager

In June 2011, the JOC hired an individual to serve as the Center's Business Manager effective July 5, 2011, at a salary of \$50,000 and with standard administrative benefits.

On February 12, 2013, she was placed on administrative leave with pay by the Executive Director and Superintendent of Record while an investigation was conducted concerning issues raised during the Single Audit Report for the year ended June 30, 2012. As a result, the Business Manager was suspended without pay by the Executive Director in accordance with Section 1089 of the Public School Code, for incompetency, neglect of duty, and other improper conduct.

On May 10, 2013, she submitted a letter of resignation effective that day, which was accepted by the JOC at a meeting held on May 14, 2013. Also, on May 10, 2013, a Settlement and Release Agreement (Agreement) was signed by the JOC, Executive Director, and Business Manager.

The Agreement required the Center to make the following payments to the former Business Manager, the projected value of which we calculated to be \$6,685:

- Payment for 5.5 unused sick days at the daily rate of \$194 per day (\$1,068).
- Payment for the health insurance, including dental and vision until August 31, 2013 (\$761).
- Payment for 5 unused personal days and 20 unused vacation days at her per diem rate of \$194 (\$4,856).

Conclusion

A review of JOC meeting minutes disclosed no reason was stated for the former Executive Director's suspension without pay, and then subsequent resignation. Although the reason given for the former Business Manager's resignation was for "personal reasons," documentation reflected incompetency, and neglect of duties.

The Department of the Auditor General requested an explanation of the reasons for the Center’s buy-out of the former Executive Director and the former Business Manager. The current Business Manager stated that the resignations of the former Executive Director and the former Business Manager resulted from their inability to fulfill the duties of their respective positions.

Current Executive Director

A review of the current Executive Director’s contract, signed on July 23, 2013, revealed that no termination provisions are included in the contract, which covers the period of July 23, 2013 through June 30, 2016. Also, the contract states it was adopted pursuant to the “Public School Code of 1949” as amended, Section 1164. Section 1164 of the Public School Code applies to individuals below the rank of district superintendent, executive director, and director of a vocational-technical school.

The contract should have been written in accordance with Section 1073 of the Public School Code, which specifies all the elements that should be contained in the contract including early termination provisions.

Recommendations

The *Huntingdon County Career and Technology Center* should:

1. Abide by Section 1073 of the Public School Code when creating an agreement with an Executive Director.
2. Document in the official JOC meeting minutes, in detail, why the Center chooses to expend large amounts of public money when ending an administrator’s employment.

Management Response

Management stated the following:

“Management has taken the opportunity to review the recommendation which has been made as a result of the State Auditor General’s findings and at this time

Management disagrees with the observation. Based upon the Pennsylvania School Code, Huntingdon County Career and Tech Center's management does not believe that the new Administrative Director's position shall fall under Section 1073 of the Pennsylvania Public School Code. 24 P.S. §10-1073 provides for the manner of election and/or approval under Section (e) for District Superintendents and Assistant District Superintendents. Nowhere within Section 1073 of the Pennsylvania Public School Code does it list Administrative Directors. For this reason the Administrative Director has been properly found under Section 1164 of the Pennsylvania Public School Code. However, for the future, the Huntingdon County Career and Tech Center will create specific termination provisions which shall be included within any contract offered by the JOC [Joint Operating Committee] of Huntingdon County Career and Tech Center to the Administrative Director. For this reason the Huntingdon County Career and Tech Center's Administration disagrees with this recommendation which has been made.

Furthermore, as it relates to the second recommendation regarding JOC Meeting Minutes in detail as to why the Center expended money in any Administrator's contract, once again Huntingdon County's Management, along with the advice and recommendation of counsel, believe that they adhered to the requirements under the Pennsylvania Public School Code, the Open Records Law, the Right-to-Know Law, and the Pennsylvania Sunshine Act, in identifying in the Meeting Minutes, in detail, the Career and Tech Center's acceptance of the resignations both on May 14, 2013 of the Business Manager, and on June 11, 2013 of the former Administrative Director. It must be noted that at the time of the separation from the JOC of the Business Manager and Administrative Director, any payments that may have been made consisted of accrued vacation, sick leave, and any restructuring plan that provided for health insurance for these individuals which was included per the provisions of the agreements. It needs to be noted that as a result of the separation of these individuals from the [Center], the [Center] did benefit from not having to compensate the individuals and/or enter litigation with the individuals that may have far exceeded \$27,000. As a result of the resignations of these individuals, they were not able to accrue any additional vacation or sick days into future years under their contract,

nor take any sabbatical leave of absences which they may have otherwise been entitled to under the Law. For this reason the monies which were expended to the Administrative Director and the Business Manager fall in compliance under the aforementioned provisions.

Finally, by the very nature of any Agreement which would be made and/or offered to the Business Manager and the Administrative Director upon resignation are subject to Right-to-Know Law and to disclosure to anyone in the Commonwealth of Pennsylvania seeking a copy of the same. For this reason, once again Huntingdon County Career and Technology Center's Management Team, believe that the proper designation in the public for "acceptance of such resignations and the signing of any necessary documents and/or agreements to effectuate the same" are in compliance with all applicable State and Federal Laws regarding this matter. The [Center] also believes that adequate discussion was had as it relates to these positions in the public's eye and for this reason, once again, Huntingdon County Career and Tech Center's Management Team disagrees with the State Auditor General's observation. However, in the future, Huntingdon County Career and Tech Center and its Management Team will strive to continue to document the reasoning for any severance of positions from previous employees in as great of detail as is allowable under State and Federal Law. . . ."

Auditor Conclusion

We are encouraged that the Center will be more proactive in future contracts with Center personnel to include adequate termination provisions. We are also encouraged the Center will be more transparent with the public when and if any like issues of this kind happen in the future.

As for the Center's assertion that the new Executive Director's contract falls under Section 1164 of the Public School Code, we again note that Section 1164 specifically states that the definition of school administrator covers any employee below the rank of Director of Vocational-Technical School.

Status of Prior Audit Findings and Observations

Our prior audit of the Huntingdon County Career and Technology Center (Center) released on June 2, 2011, resulted in one (1) observation. The observation pertained to continued unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the Center to implement our prior audit recommendations. We performed audit procedures and interviewed Center personnel regarding the prior observation. As shown below, we found that the Center did implement our recommendations related to continued unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on June 2, 2011

Observation: **Continued Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation

Summary:

Our prior audit of the Center found that the Center had seven (7) control weaknesses over vendor system access and logical access control.

Recommendations:

Our audit observation recommended that the Center should:

1. Develop a contract with the vendor that contains a non-disclosure agreement for the Center's proprietary information.
2. Include provisions in the Acceptable Use Policy (AUP) for authentication (password security and syntax requirements).
3. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the Center's AUP.
4. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the Center's system. Further, the Center 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.
5. Allow access to their system only 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.

6. 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 Center should review these reports to determine that the access was appropriate and that data was not improperly altered. The Center should also ensure it is maintaining evidence to support this monitoring and review.

Current Status:

During our current audit, we found that the Center implemented all of the recommendations listed above over the course of the previous two (2) years.

Distribution List

This report was initially distributed to the Director of the Center, the Joint Operating Committee, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.