

LIMITED PROCEDURES ENGAGEMENT

Mercer County Career Center
Mercer County, Pennsylvania

July 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Rachel Martin, Director
Mercer County Career Center
776 Greenville Road
Mercer, Pennsylvania 16137

Mr. David DeForest, Board President
Mercer County Career Center
776 Greenville Road
Mercer, Pennsylvania 16137

Dear Ms. Martin and Mr. DeForest:

We conducted a Limited Procedures Engagement (LPE) of the Mercer County Career Center (Center) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures. The LPE covers the period September 4, 2013 through June 9, 2015, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and the Fiscal Code 72 P.S. § 403, but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As we conducted our LPE procedures, we sought to determine answers to the following questions, which serve as our LPE objectives:

- Did the Center have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - The Right-to-Know Law
 - The Sunshine Law
- Were the policies and procedures adequate and appropriate, and have they been properly implemented?
- Did the Center comply with the relevant requirements in the Right-to-Know Law and the Sunshine Law?
- Did the Center take appropriate corrective action to address the findings, observations, and verbal comments made in our prior audit, and were the actions taken into effect?

Ms. Rachel Martin
Mr. David DeForest
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Our engagement found that the Center properly implemented policies and procedures for the areas mentioned above and complied, in all material respects, with relevant requirements.

We appreciate the Center's cooperation during the conduct of the engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

July 30, 2015

cc: **MERCER COUNTY CAREER CENTER** Joint Operating Committee

Status of Prior Findings and Observations

Finding No. 1

Internal Control Weaknesses in the Business Office

Finding Condition

Our prior audit found that weak internal controls in the business office contributed to several procedural and reporting errors.

Recommendations

We recommended that the Center:

1. Stop overstating expenditures and understating revenues in the annual budget. In addition, develop a realistic budget that charges the Center's participating districts a tuition rate reflective of the budget.
2. Develop and implement procedures to ensure both the preliminary and final budgets are prepared, presented, and approved by the Joint Operating Committee (JOC) in compliance with the Pennsylvania Public School Code.
3. Consult with independent auditor to develop procedures to ensure monthly financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and presented to the JOC.
4. Require the business office to implement procedures to ensure timely reimbursement of excess funds received from participating districts.
5. Require administrative personnel to report to the JOC all non-participating district and charter school students for approval and tuition recognition.
6. Require administrative personnel to develop strong policies and procedures to ensure that general operating funds are not subsidizing non-student related expenses.
7. Ensure the Center's business manager is proficient in the use of its financial software program and amend his/her job description to tie this proficiency to job performance.
8. Require administrative personnel to develop cost analysis procedures to ensure that general public program fees are sufficient to cover associated costs and that general funds are not subsidizing non-student related expenses.

9. Develop and implement an appropriate inventory control system to ensure that equipment, tools, and supplies are properly accounted for and that Center funds are not being needlessly expended to replace unaccounted for tools and equipment.
10. Ensure that the JOC is receiving budgetary reports that include individual line-item budgets, monthly and year-to-date activity, appropriation encumbrances, and remaining budgetary amounts.
11. Ensure that, prior to approving the Center's budget, the JOC members closely review the revenues and expenditures to ensure they are accurately forecast.

Current Status

The Center's Corrective Action Plan (CAP), approved by the JOC on October 22, 2013, stated that the need to complete the Center's budget early in the year might account for what seems to be an overestimation of expenditures. In addition, revenue funding sources that are unknown when the budget is developed may increase the actual revenue.

Our current review found that new procedures and timelines were approved by the JOC on October 22, 2013, and are in effect to ensure both the preliminary and final budgets are prepared, presented, and approved by the JOC.

In addition, we found that procedures are now in place to ensure monthly financial statements are prepared in accordance with GAAP.

The CAP stated that, to verify accuracy, refunds are issued to participating districts only after the independent auditor's report is approved by the JOC and that this practice has been discussed with and agreed to by participating superintendents.

Our current review found that non-participating and charter school students are reported and recorded in the minutes.

The CAP contended that there are no non-student related expenses as such; rather, all activities providing minor services to the public enhance student learning. Our current review found that policies and procedures are in place to ensure activities align with curriculum.

The CAP stated that the business manager installed the financial software program and trains others to use it. Our current review found no problems with the business manager's proficiency in the use of the software.

Our current review found that procedures to establish fees for general public programs were documented.

We also found that inventory work procedures were revised on February 13, 2013, and safeguards are now in place.

Our current review found that all budget reports and financial forecasts are made available to JOC members at all times.

Finding No. 2

Business Office Failed to Follow Provisions of Construction Bond Agreement

Finding Condition

Our prior audit found that the Center was late in filing its final construction cost accounting document, known as PlanCon J. This and other weaknesses in the Center's procedures resulted in the Pennsylvania Department of Education's (PDE) inability to calculate final state reimbursement rates for the Center's participating school districts.

Recommendations

We recommended that the Center:

1. Notify PDE of the increased earned interest it received so that PDE can provide the participating districts with the correct amount of debt service reimbursement.
2. Contact PDE for the amount of unused funds and earned interest for assistance in the proper accounting methodology to be utilized in the completion of future debt service reimbursement requests.
3. Consult with the Center's solicitor regarding undrawn funds and determine available usage options.
4. Develop appropriate and final accurate final project accounting reports in accordance with GAAP for external audit, as required by PDE.
5. Ensure that the JOC is receiving the information it needs to monitor the Center's financial activities.

Current Status

Our current review found that PDE was notified immediately after our prior audit, and an extension application was filed on October 3, 2012. The bond was subsequently closed, per PDE instructions. We found no further outstanding issues.

Finding No. 3

Failure to Obtain Required Foster Student Information for Membership Reporting

Finding Condition

Our prior audit found that the Center did not obtain information about foster children attending the Center and did not include such information in its membership reporting.

Recommendations

We recommended that the Center:

1. Follow-up with involved schools to obtain all required documentation for non-resident foster students.
2. In conjunction with PDE, prepare and upload to the Pennsylvania Information Management System (PIMS) the required residency corrections so that reimbursement adjustments can be made for the involved schools.
3. Develop written guidelines and procedures to ensure that all required PIMS student registration information is received by the Center to ensure accurate reporting to PDE.

We also recommended that PDE should:

4. Assist the Center in correcting its residency membership reporting errors to ensure that the involved schools receive the reimbursement to which they are entitled.

Current Status

Our current review found that documentation was received and corrections to PIMS were made on November 29, 2012. There have been no foster students the last two years. A new information gathering procedure was implemented immediately after the prior audit.

Observation

Mercer County Career Center Lacks Sufficient Internal Controls Over Its Student Record Data

Observation Condition

Our prior audit observation noted that the errors detailed in Finding No. 3 were the result of weaknesses in the Center's controls over student data integrity.

Recommendations

We recommended that the Center:

1. Effectuate corrective action to amend its child accounting software program to allow for the reporting of non-resident students based on PDE prescribed codes.
2. Review the Center's child accounting software to ensure that all reporting can be performed as required.
3. Develop appropriate procedures for the data submission process and implement appropriate cross-training of at least one other employee on PIMS data submission.

Current Status

Our current review found that procedures are in place to report all non-resident students and all reporting is done as required.

We also found that additional procedures are being developed and cross-training will begin as soon as the procedures are in place.

Distribution List

This letter was initially distributed to the Director of the Center, the Joint Operating Committee, and the following stakeholders:

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

The Honorable Pedro A. Rivera
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese
State Treasurer
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Harrisburg, PA 17120

Mrs. Danielle Mariano
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