

CENTRAL MONTCO TECHNICAL HIGH SCHOOL
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

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

Mr. Michael Melnyk, Joint Operating Committee Chairperson
Central Montco Technical High School
821 Plymouth Road
Plymouth Meeting, Pennsylvania 19462

Dear Governor Rendell and Mr. Melnyk:

We conducted a performance audit of the Central Montco Technical High School (CMTHS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 23, 2008 through August 27, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 CMTHS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We appreciate the CMTHS's cooperation during the conduct of the audit.

Sincerely,

JACK WAGNER
Auditor General

September 3, 2010

cc: **CENTRAL MONTCO TECHNICAL HIGH SCHOOL** Joint Operating Committee
Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Status of Prior Audit Findings and Observations	7
Distribution List	9



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Central Montco Technical High School (CMTHS). Our audit sought to answer certain questions regarding the CMTHS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CMTHS in response to our prior audit recommendations.

Our audit scope covered the period May 23, 2008 through August 27, 2009, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

School Background

According to School officials, in school year 2007-08 the CMTHS provided educational services to 547 secondary pupils through the employment of 20 teachers, 13 full-time and part-time support personnel, and 5 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises nine members from the Colonial, Norristown Area and Upper Merion school districts.

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term.

Lastly, the CMTHS received more than \$490 thousand in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the CMTHS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the CMTHS from an audit we conducted of the 2005-06 and 2004-05 school years, we found the CMTHS had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 7).



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 May 23, 2008 through August 27, 2009, except for the verification of professional employee certification which was performed for the period January 10, 2008 through July 30, 2009.

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

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 Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the CMTHS'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?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the School?
- ✓ Did the School 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 School taking appropriate steps to ensure school safety?
- ✓ Did the School use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the School 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.

CMTHS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School 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.

Our audit examined the following:

- Records pertaining to professional employee certification and financial stability.
- Items such as meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 22, 2009, we reviewed the CMTHS's response to DE dated April 14, 2009. We then performed additional audit procedures targeting the previously reported matters.

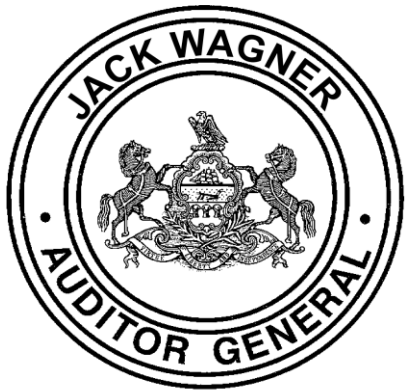
Findings and Observations

For the audited period, our audit of the Central Montco Technical High School resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Central Montco Technical High School (CMTHS) for the school years 2005-06 and 2004-05 resulted in one reported observation. The observation pertained to 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 CMTHS to implement our prior recommendations. We analyzed the CMTHS Joint Operating Committee’s written response provided to the Department of Education, performed audit procedures, and questioned CMTHS personnel regarding the prior observation. As shown below, we found that the CMTHS did implement recommendations related to the observation.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u>I. Observation:</u> <u>Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <p>1. Generate monitoring reports of the vendor and employee remote access and activity on the system. Monitoring reports should include the date, time and reason for access, change(s) made and who made the change(s). The School should review these reports to determine that the access was appropriate and that the data was improperly altered. The School should also ensure it is maintaining evidence to support this monitoring and review.</p> <p>2. Maintain a password history that will prevent the use of repetitive passwords (i.e., last ten passwords).</p>	<p>Background:</p> <p>Our prior audit found that the CMTHS uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor had remote access into the CMTHS’s network services.</p> <p>We determined that a risk existed that unauthorized changes to the CMTHS’s data could occur and not be detected because the School was not adequately monitoring vendor activity in its system. However, since the School had manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk was mitigated.</p>	<p>Current Status:</p> <p>Our current audit found that the CMTHS began using another software vendor for its critical student accounting applications starting with the 2008-09 school year.</p> <p>We found that the current vendor does not have unmonitored access to CMTHS’s child accounting data.</p>



Distribution List

This report was initially distributed to the technical high school's superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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