

READING-MUHLENBERG CAREER AND TECHNOLOGY CENTER

BERKS COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Ms. Jaime Wertz, Chairperson
Reading-Muhlenberg Career and Technology Center
2615 Warren Road
Reading, Pennsylvania 19604

Dear Governor Rendell and Ms. Wertz:

We conducted a performance audit of the Reading-Muhlenberg Career and Technology Center (RMCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 20, 2008 through August 6, 2010, 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 RMCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the RMCTC's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 27, 2010

cc: **READING-MUHLENBERG CAREER AND TECHNOLOGY CENTER** Joint
Operating Committee Members

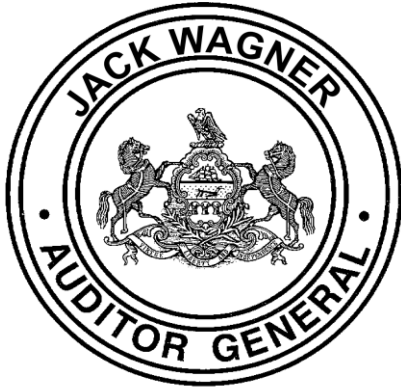


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Executive Summary

Audit Work

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

Our audit scope covered the period June 20, 2008 through August 6, 2010, 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.

Center Background

According to RMCTC officials, in school year 2007-08 the RMCTC provided educational services to 1,131 secondary pupils and one post-secondary pupil through the employment of 40 teachers, 31 full-time and part-time support personnel, and 4 administrators. The operation, administration and management of the RMCTC are directed by a joint school committee (JSC) which comprises six members from Reading and Muhlenberg school districts.

The JSC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the RMCTC received more than \$1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the RMCTC 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 RMCTC from an audit we conducted of the 2005-06 and 2004-05 school years, we found the RMCTC had taken appropriate corrective action in implementing our recommendations pertaining to certification deficiencies (see page 7), Statements of Financial Interests (see page 7) and weak internal controls regarding child accounting procedures (see page 8). Additionally, the RMCTC largely implemented our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 8).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period June 20, 2008 through August 6, 2010, except for the verification of professional employee certification which was performed for the period May 8, 2006 through June 17, 2010.

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 RMCTC'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?
- ✓ Does the RMCTC ensure that Joint School Committee 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 RMCTC?

- ✓ Did the RMCTC 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 RMCTC taking appropriate steps to ensure school safety?
- ✓ Did the RMCTC use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the RMCTC 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.

RMCTC management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the RMCTC 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 area of comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes and pupil membership.

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

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

Findings and Observations

For the audited period, our audit of the Reading-Muhlenberg Career and Technology Center resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Reading-Muhlenberg Career and Technology Center (RMCTC) for the school years 2005-06 and 2004-05 resulted in two reported findings and two observations, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the RMCTC to implement our prior recommendations. We analyzed the RMCTC joint school committee's (JSC) written response provided to the Department of Education (DE), performed audit procedures, and questioned RMCTC personnel regarding the prior findings and observations. As shown below, we found that the RMCTC did implement recommendations related to the certification deficiencies, Statements of Financial Interests and weak internal controls regarding child accounting procedures. In addition, the RMCTC largely implemented recommendations related to unmonitored vendor system access and logical access control weaknesses.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><i><u>I. Finding No. 1: Certification Deficiencies</u></i></p> <ol style="list-style-type: none"> Require all professional employees to have valid Pennsylvania certification prior to teaching in the career and technology center. DE should recover the subsidy forfeiture of \$1,514. 	<p>Background:</p> <p>Our prior audit of professional employees' certification and assignments for the period May 17, 2006 through June 3, 2008, found that four individuals were employed prior to receiving proper certification and another individual was assigned as a long term substitute teacher with a day to day substitute certificate.</p>	<p>Current Status:</p> <p>Our current audit found that the RMCTC complied with our recommendations.</p> <p>DE deducted \$1,514 from the RMCTC's vocational education allocations on June 1, 2010, to resolve this finding.</p>
<p><i><u>II. Finding No. 2: Members of the Joint School Committee Failed to File Statements of Financial Interests According to Provisions of the Public Official and Employee Ethics Act</u></i></p> <ol style="list-style-type: none"> Seek the advice of RMCTC's solicitor in regard to its responsibility when an elected JSC member fails to file a Statement of Financial Interests. 	<p>Background:</p> <p>Our prior audit found that two JSC members' failed to file their Statements of Financial Interests for the calendar years ended December 31, 2007 and 2006.</p>	<p>Current Status:</p> <p>Our current audit found that the RMCTC complied with our recommendations by seeking the advice of its solicitor and implementing Statement of Financial Interests filing procedures in January 2010. However, we found that one former JSC member failed to file his 2009 statement by the May 1, 2010 deadline.</p>

<p>2. Develop procedures to ensure all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.</p>		
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<p><u>III. Observation No. 1: Weak Internal Controls Regarding Child Accounting Procedures</u></p> <ol style="list-style-type: none"> 1. Establish procedures to reconcile the membership reported to member districts with the membership subsequently reported to DE. 2. Ensure established internal controls concerning quarterly reports procedures are followed. 3. Identify nonresident students and obtain copies of nonresident documentation from both member districts to verify nonresident students' classifications. 	<p>Background:</p> <p>Our prior audit of RMCTC pupil membership records for the 2005-06 and 2004-05 school years found irreconcilable discrepancies between the membership reported to both member districts by the RMCTC, as well as in the membership reported by the member districts to DE. Discrepancies occurred in resident, nonresident and nonpublic membership.</p>	<p>Current Status:</p> <p>Our current audit found that the RMCTC implemented our recommendations in January 2008.</p>
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<p><u>IV. Observation No. 2: Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> 1. Include in RMCTC's Acceptable Use Policy provisions for authentication (password security and syntax requirements). 2. Establish separate information technology (IT) policies and procedures for controlling the activities of vendors/consultants 	<p>Background:</p> <p>Our prior audit found that the RMCTC uses software purchased from an outside vendor for its critical student accounting applications. The vendor has remote access into the RMCTC's network servers. The vendor also provides the RMCTC with system maintenance and support.</p> <p>We determined that a risk existed that unauthorized changes to the RMCTC's data could occur and not be detected because the RMCTC was unable to provide supporting evidence that it was adequately monitoring all activity in its system.</p>	<p>Current Status:</p> <p>Our current audit found that the RMCTC complied with our recommendations, except for number 2.</p> <p>Therefore, we again recommend that RMCTC establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign its Acceptable Use Policy.</p>
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<p>and have the vendor sign this policy, or require the vendor to sign the District's Acceptable Use Policy.</p> <p>3. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.</p> <p>4. 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. Also, the RMCTC should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords); lock out users after three unsuccessful attempts; and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p> <p>5. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the RMCTC system.</p> <p>6. Allow access to the 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.</p>		
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<p>7. 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 RMCTC should review these reports to determine that the access was appropriate and that data was not improperly altered. The RMCTC should also ensure it is maintaining evidence to support this monitoring and review.</p> <p>8. Store back-up tapes in a secure, off-site location.</p>		
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Distribution List

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

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