

SENECA HIGHLANDS AREA VOCATIONAL-TECHNICAL SCHOOL
MCKEAN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. David Mensch, Joint Operating Committee Chairperson
Seneca Highlands Area Vocational-Technical School
219 Edison Bates Drive
P.O. Box 219
Port Allegany, Pennsylvania 16743

Dear Governor Rendell and Mr. Mensch:

We conducted a performance audit of the Seneca Highlands Area Vocational-Technical School (SHAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 2, 2007 through October 6, 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 SHAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 29, 2010

cc: **SENECA HIGHLANDS AREA VOCATIONAL-TECHNICAL SCHOOL** 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 Seneca Highlands Area Vocational-Technical School (SHAVTS). Our audit sought to answer certain questions regarding the SHAVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SHAVTS in response to our prior audit recommendations.

Our audit scope covered the period May 2, 2007 through October 6, 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 SHAVTS provided educational services to 275 secondary pupils through the employment of 12 teachers, 7 full-time and part-time support personnel, and 2 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 14 members from the following school districts:

Austin Area
Bradford Area
Cameron County
Coudersport Area
Galeton Area
Johnsonburg Area

Kane Area
Northern Potter
Otto-Eldred
Oswayo Valley
Port Allegany
Ridgway Area
St. Marys Area
Smethport Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the SHAVTS received more than \$300,000 in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SHAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation : Memorandum of Understanding Not Updated Timely. The SHAVTS has not updated its Memorandum of Understanding with local law enforcement since August 5, 1997 (see page 6).

Status of Prior Audit Findings and Observations. There were no audit findings or observations in our prior audit report for the school years 2005-06 and 2004-05.



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 2, 2007 through October 6, 2009, except for the verification of professional employee certification which was performed for the period February 22, 2007 through August 7, 2009.

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 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 SHAVTS'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?
- ✓ In areas where the School receives state subsidy and reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the School receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the School ensure that Joint Operating 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 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 take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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.

SHAVTS 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.

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.

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 professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Findings and Observations

Observation

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed if an incident involving an act of violence or possession of a weapon by an person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the *Basic Education Circular* issued by the Department of Education entitled *Safe Schools and Possession of Weapons*, contains a sample MOU to be used by school entities. Section VI, General Provisions item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

Memorandum of Understanding Not Updated Timely

Our audit of the Seneca Highlands Area Vocational Technical School's (SHAVTS) records found that the current Memorandum of Understanding (MOU) between the School and the Port Allegany Borough Police Department was signed August 5, 1997, and had not been updated.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between School employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

The SHAVTS administration was unaware of the need to update the MOU every two years.

Recommendations

The SHAVTS administration, should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the School and the Port Allegany Borough Police Department.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated they were in the process of updating the MOU with local law enforcement.

Status of Prior Audit Findings and Observations

Our prior audit of the Seneca Highlands Area Vocational-Technical School for the school years 2005-06 and 2004-05 resulted in no findings or observations.

Distribution List

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

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

The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

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

Senator Jeffery Piccola
Senate Education Committee
173 Main Capitol Building
Harrisburg, PA 17120

Senator Andrew Dinniman
Democratic Chair
Senate Education Committee
183 Main Capitol Building
Harrisburg, PA 17120

Representative James Roebuck
Chair
House Education Committee
208 Irvis Office Building
Harrisburg, PA 17120

Representative Paul Clymer
Chair
Republican Chair
House Education Committee
216 Ryan Office Building
Harrisburg, PA 17120

Ms. Barbara Nelson
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



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