

SENECA HIGHLANDS CAREER AND TECHNICAL CENTER
MCKEAN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2012

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. David Mensch, Board President
Seneca Highlands Career and Technical Center
219 Edison Bakes Drive
Port Allegheny, Pennsylvania 16743

Dear Governor Corbett and Mr. Mensch:

We conducted a performance audit of the Seneca Highlands Career and Technical Center (SHCTC) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period October 6, 2009 through September 21, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 SHCTC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

cc: **SENECA HIGHLANDS CAREER AND TECHNICAL CENTER** 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 Seneca Highlands Career and Technical Center (SHCTC). Our audit sought to answer certain questions regarding the CTC's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SHCTC in response to our prior audit recommendations.

Our audit scope covered the period October 6, 2009 through September 21, 2011, 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 2009-10 and 2008-09.

School Background

According to School officials, in school year 2009-10 the SHCTC provided educational services to 314 secondary pupils and 1 post-secondary pupil through the employment of 12 teachers, 9 full-time and part-time support personnel, and 2 administrators. The operation, administration and management of the school are directed by the Seneca Highlands Intermediate Unit #9 board of directors which comprises 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 board members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the SHCTC received more than \$354,000 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the SHCTC complied, in all significant respects, with applicable state laws, 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 SHCTC from an audit we conducted of the 2007-08 and 2006-07 school years, we found the SHCTC had taken appropriate corrective action in implementing our recommendations pertaining to a Memorandum of Understanding that was not updated timely (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 October 6, 2009 through September 21, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 SHCTC's compliance with applicable state laws, 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?

- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the School ensure that board 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 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

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.

SHCTC management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal

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, contracts, grant requirements and administrative procedures.

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 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 pupil membership records.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 29, 2010, we reviewed the SHCTC's response to DE dated September 20, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Seneca Highlands Career and Technical Center resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Seneca Highlands Career and Technical Center (SHCTC) for the school years 2007-08 and 2006-07 resulted in one observation. The observation pertained to a Memorandum of Understanding that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the SHCTC to implement our prior recommendations. We analyzed the SHCTC Board's written response provided to the Department of Education, performed audit procedures, and questioned SHCTC personnel regarding the prior observation. As shown below, we found that the SHCTC did implement recommendations related to the Memorandum of Understanding.

School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

Observation: **Memorandum of Understanding Not Updated Timely**

Observation

Summary: Our audit of the SHCTC's records found that the current Memorandum of Understanding (MOU) between the School and the local law enforcement agency was signed August 5, 1997, and had not been updated.

Recommendations: Our audit observation recommended that the SHCTC:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU with the local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status: During our current audit procedures we found that the SHCTC did implement the recommendations. The MOU was re-executed on June 30, 2011.



Distribution List

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

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
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

Ms. Nichole Duffy
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

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

