

UPPER BUCKS COUNTY AREA VOCATIONAL-TECHNICAL SCHOOL
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

AUGUST 2011

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

Ms. Linda Martin
Joint Operating Committee Chairperson
Upper Bucks County Area
Vocational-Technical School
3115 Ridge Road
Perkasie, Pennsylvania 18944

Dear Governor Corbett and Ms. Martin:

We conducted a performance audit of the Upper Bucks County Area Vocational-Technical School (UBCAVTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 1, 2009 through February 22, 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 UBCAVTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

August 29, 2011

cc: **UPPER BUCKS COUNTY 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 Upper Bucks County Area Vocational-Technical School (UBCAVTS). Our audit sought to answer certain questions regarding the AVTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the UBCAVTS in response to our prior audit recommendations.

Our audit scope covered the period May 1, 2009 through February 22, 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 UBCAVTS provided educational services to 651 secondary pupils and 13 post-secondary pupils through the employment of 28 teachers, 34 full-time and part-time support personnel, and 6 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 9 members from the following school districts:

Palisades
Pennridge
Quakertown Community

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the UBCAVTS received \$552,649 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the UBCAVTS 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 UBCAVTS from an audit we conducted of the 2007-08 and 2006-07 school years, we found the UBCAVTS had taken appropriate corrective action in implementing our recommendations pertaining to their student accounting applications (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 1, 2009 through February 22, 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 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 UBCAVTS'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 payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

UBCAVTS 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.

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 and financial stability.
- Items such as meeting minutes and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 8, 2009, we reviewed the UBCAVTS's response to DE dated February 19, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Upper Bucks County Area Vocational-Technical School resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Upper Bucks County Area Vocational-Technical School (UBCAVTS) for the school years 2007-08 and 2006-07 resulted in an observation. The observation pertained to their student accounting applications. As part of our current audit, we determined the status of corrective action taken by the UBCAVTS to implement our prior recommendations. We analyzed the UBCAVTS Board's written response provided to the Department of Education, performed audit procedures, and questioned UBCAVTS personnel regarding the prior observation. As shown below, we found that the UBCAVTS did implement recommendations related to their student accounting applications.

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

Observation: **Unmonitored Vendor System Access and Logical Access Control Weaknesses**

Observation

Summary: The UBCAVTS uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The vendor has remote access into the UBCAVTS's network servers.

Recommendations: Our audit observation recommended that the UBCAVTS:

1. 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 and include alpha, numeric and special characters.

Current Status: During our current audit procedures, we found that the UBCAVTS did implement our recommendations.



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:

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