

WEST SIDE AREA CAREER AND TECHNOLOGY CENTER
LUZERNE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2011

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

Mr. John Bolin
Joint Operating Committee Chairperson
West Side Area Career and Technology Center
75 Evans Street
Kingston, Pennsylvania 18704

Dear Governor Corbett and Mr. Bolin:

We conducted a performance audit of the West Side Area Career and Technology Center (WSACTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 28, 2009 through December 14, 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, 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 WSACTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the WSACTC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

May 9, 2011

cc: **WEST SIDE AREA 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 West Side Area Career and Technology Center (WSACTC). Our audit sought to answer certain questions regarding the WSACTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WSACTC in response to our prior audit recommendations.

Our audit scope covered the period April 28, 2009 through December 14, 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 2009-10 and 2008-09.

School Background

According to School officials, in school year 2009-10 the WSACTC provided educational services to 576 pupils through the employment of 43 teachers, 30 full-time and part-time support personnel, and 7 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 12 members from the following school districts:

Dallas
Lake Lehman
Northwest Area
Wyoming Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the WSACTC received \$606,743 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the WSACTC 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 WSACTC from an audit we conducted of the 2007-08 and 2006-07 school years, we found the WSACTC had taken appropriate corrective action in implementing our recommendations pertaining to their Memorandum of Understanding and their child 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 April 28, 2009 through December 14, 2010.

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 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 WSACTC'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?
- ✓ 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 conclusions based on our audit objectives.

WSACTC 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, 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 WSACTC operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 6, 2009, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the West Side Area Career and Technology Center resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the West Side Area Career and Technology Center (WSACTC) for the school years 2007-08 and 2006-07 resulted in two reported observations. The first observation pertained to their Memorandum of Understanding, and the second observation pertained to their student accounting applications. As part of our current audit, we determined the status of corrective action taken by the WSACTC to implement our prior recommendations. We performed audit procedures, and questioned WSACTC personnel regarding the prior observations. As shown below, we found that the WSACTC did implement recommendations related to their Memorandum of Understanding and student accounting applications.

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

Observation No. 1: Memorandum of Understanding Not Updated Timely

Finding Summary: Our prior audit found that the Memorandum of Understanding (MOU) between the WSACTC and the local police department was signed September 22, 1998, and had not been updated.

Recommendations: Our audit finding recommended that the WSACTC:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the WSACTC and the Pringle Police Department and/or Pennsylvania State Police, Wyoming Barracks.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status: We followed up on WSACTC's records and found that the WSACTC did take corrective actions to address our prior audit recommendations.

The WSACTC updated the MOU with their local police departments on April 16, 2009.

Observation No. 2: Unmonitored Vendor System Access and Logical Access Control Weaknesses

Finding Summary: Our prior audit found the WSACTC processes membership and attendance data for three local districts and uses software purchased from an outside vendor for its critical student accounting applications. The vendor also provides the WSACTC with system maintenance and support.

Recommendations: Our audit finding recommended that the WSACTC:

1. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the WSACTC should require the vendor to sign the WSACTC's Acceptable Use Policy.
2. 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; also the WSACTC should maintain a password history.
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the WSACTC system. Further, the WSACTC should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
4. 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 WSACTC should review these reports to determine that the access was appropriate and that data was not improperly altered. The WSACTC should also ensure it is maintaining evidence to support this monitoring and review.

Current Status: We followed up on the WSACTC's records and found that the WSACTC did take appropriate action to correct their student accounting applications.

Distribution List

This report was initially distributed to the AVTS 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
Acting 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. 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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