



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

JUNE 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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 Allegany, Pennsylvania 16743

Dear Governor Corbett and Mr. Mensch:

We conducted a performance audit of the Seneca Highlands Career and Technical Center (Center) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period September 21, 2011 through September 13, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 Center complied, in all significant respects, with relevant requirements. However, we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

EUGENE A. DEPASQUALE
Auditor General

June 30, 2014

cc: **SENECA HIGHLANDS CAREER AND TECHNICAL CENTER**
Joint Operating Committee Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Observation – Insufficient Internal Controls Over Student Record Data	5
Status of Prior Audit Findings and Observations	7
Distribution List	8

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Seneca Highlands Career and Technical Center (Center) in McKean County. Our audit sought to answer certain questions regarding the Center's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period September 21, 2011 through September 13, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

Center Background

According to Center officials the Center provided educational services to 275 secondary pupils and one (1) post-secondary pupil through the employment of thirteen (13) teachers, nine (9) full-time and part-time support personnel, and one (1) administrator during the 2011-12 school year. A joint operating committee (JOC), which is comprised of fourteen (14) members from the following school districts, directs the operation, administration, and management of the Center:

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 one (1) year term. The Center received \$404,008 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the Center complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one (1) matter unrelated to compliance that is reported as an observation.

Observation: Insufficient Internal Controls Over Student Record Data. Our audit of the Seneca Highlands Career and Technical Center (Center) found that the Center does not have adequate procedures in place to ensure the continuity over its student data reporting to the Pennsylvania Department of Education (see page 5).

Status of Prior Audit Findings and Observations. There were no findings or observations in our prior audit report.

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 September 21, 2011 through September 13, 2013, except for the verification of professional employee certification, which was performed for the period July 1, 2012 through June 30, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

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 Pennsylvania Department of Education (PDE) 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 Center's compliance with certain relevant 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?
- ✓ Did the Center have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ Were there any declining fund balances that may pose a risk to the Center’s fiscal viability?
- ✓ Did the Center take appropriate steps to ensure school safety?
- ✓ Did the Center have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the Center’s Joint Operating Committee free from apparent conflicts of interests?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Center’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the Center’s internal controls, including any information technology controls, as they relate to the Center’s compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as Joint Operating Committee meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the Center's operations.

Findings and Observations

Observation →

Insufficient Internal Controls Over Student Record Data

Criteria relevant to the observation:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four (4) important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (12) public education systems.

PDE began calculating the LEA's state subsidy using data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

In addition, this change also required the Seneca Highlands Career and Technical Center (Center) to directly report membership and attendance data directly to PDE on behalf of all supporting districts.

Our review of the Center's control over data integrity found that internal controls need to be improved. Specifically, our review found that the Center did not have adequate procedures in place to ensure the continuity over its PIMS data submission in the event of a sudden change in child accounting personnel or in child accounting student information vendors.

The Center had only one (1) individual who was responsible for PIMS and has not taken the necessary steps regarding the development of written procedures and the cross training of personnel to ensure for continuity of operations without disruption.

It is the responsibility of the Center's management to have in place the proper internal policies and procedures to ensure that student data is accurate and reported correctly

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

According to the federal Government Accountability Office's (GAO) (formerly the General Accounting Office) *Standards for Internal Control in the Federal Government*, internal controls are key factors in an agency's ability to meet its mission, improve performance, and "minimize operational problems."

In addition, this guidebook states that an "Internal control is not an event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. In this sense, internal control is a management control that is built into the entity as a part of its infrastructure to help managers run the entity and achieve their aims on an ongoing basis."

U. S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg.1.

to PDE. Without such internal controls, the Center cannot be assured that its student data is accurate or that it is receiving the appropriate state subsidy reimbursement.

Recommendations

The *Seneca Highlands Career and Technical Center* should:

1. Develop appropriate written procedures for the student accounting software and PIMS systems to ensure propriety of entry, accuracy of reported data, and report verification.
2. Implement appropriate cross-training of at least one (1) other employee on PIMS data submission.

Management Response

Management agreed with the observation and provided no comment.

Auditor Conclusion

We are encouraged that the Center agrees with our observation. We will follow up on the status of our recommendations during our next cyclical audit of the Center.

Status of Prior Audit Findings and Observation

Our prior audit of the Seneca Highlands Career and Technical Center resulted in no findings or observations.

Distribution List

This report was initially distributed to the Center's Superintendent of Record, the Joint Operating Committee, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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

The Honorable Carolyn Dumaresq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
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The Honorable Robert M. McCord
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120, via email to: news@auditorgen.state.pa.us.