PERFORMANCE AUDIT

Franklin County Career and Technology Center

Franklin County, Pennsylvania

September 2015

Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Mr. James Duffy
Administrative Director
Franklin County Career and
Technology Center
2463 Loop Road
Chambersburg, Pennsylvania 17202

Mr. Chris Lind
Joint Operating Committee Chairperson
Franklin County Career and
Technology Center
2463 Loop Road
Chambersburg, Pennsylvania 17202

Dear Mr. Duffy and Mr. Lind:

We conducted a performance audit of the Franklin County Career and Technology 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 July 2, 2009 through December 4, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 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, except as detailed in two findings noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings 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.

Sincerely,

Eugene A. DePasquale
Auditor General

September 24, 2015

cc: **FRANKLIN COUNTY CAREER AND TECHNOLOGY CENTER**
Joint Operating Committee Members

Table of Contents

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Center. 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 July 2, 2009 through December 4, 2014, 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 2008-09, 2009-10, 2010-11, and 2011-12 school years.

Center Background

According to Center officials, the Center provided educational services to 663 secondary pupils and 48 post-secondary pupils through the employment of 33 teachers, 22 full-time and part-time support personnel, and 3 administrators during the 2011-12 school year. The operation, administration, and management of the school are directed by a joint operating committee (JOC), which is comprised of nine members from the following school districts:

Chambersburg Area
Greencastle-Antrim
Shippensburg Area
Tuscarora
Waynesboro Area

The JOC members are appointed by the individual school boards during December board meetings, and each serve a three-year term. The Center received $719 thousand 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, except for two compliance related matters reported as findings.

Finding No. 1: Internal Control Deficiencies Resulted in Submission of Inaccurate Child Accounting Data. Discrepancies were found between the Center's student information system (SIS) pupil membership reports and the pupil membership reports processed in the Pennsylvania Information Management System (PIMS) for the 2009-10, 2010-11, and 2011-12 school years. Center personnel were unable to reconcile all pupil membership discrepancies identified during the audit for the three years due to the lack of adequate documentation (registration forms, withdrawal forms, SIS calendars, etc.) to support the correct reporting of pupil membership data. Changes in software and personnel also contributed to the inability of current Center personnel to identify the causes of the discrepancies in pupil membership (see page 7).

Finding No. 2: Inadequate Oversight of the Practical Nursing Program Funds Resulted in Violations of the Public School Code and Joint Operating Committee Policies. Violations of the Public School Code (PSC) and the JOC policies were found during a review of the Practical Nursing Program (PNP). These violations were caused by internal control weaknesses at the PNP and by the Center's inadequate oversight over of PNP operations (see page 11).

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, PDE, 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 PSC 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 July 2, 2009 through December 4, 2014. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 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 audit objectives:

- Were professional employees certified for the positions they held?
    - To address this objective, auditors reviewed and evaluated certification documentation for all 36 teachers and administrators employed for the 2011-12 school year.

- ü Did the Center have sufficient internal controls to ensure that the membership data it reported to PDE through PIMS was complete, accurate, valid, and reliable?

  - o To address this objective, auditors evaluated applicable internal controls and selected both school terms from the 2009-10, 2010-11, and 2011-12 school years reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template.

- ü Were there any declining fund balances that may pose a risk to the Center's fiscal viability?

  - o To address this objective, auditors reviewed the Center's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2019 through 2012.

- ü Did the Center take appropriate steps to ensure school safety?

  - o To address this objective, auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the Center followed best practices in school safety.[1] Generally, auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

- ü Did the Center take appropriate corrective action to address recommendations made in our prior audit?

[1] 24 P.S. §§ 13-1302-A, 13-1302.1-A, 13-1303-A, and 13-1303.1-A.

To address this objective:

- Auditors interviewed Center administrators to determine whether they had taken corrective action.

- Auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or observed these changes in person.

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.

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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

- Records pertaining to pupil membership, professional employee certification, financial stability, reimbursement applications, and deposited state funds.

- Items such as board meeting minutes and policies and procedures.

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

Findings and Observations

Finding No. 1

Internal Control Deficiencies Resulted in Submission of Inaccurate Child Accounting Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with PDE's 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 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 important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. Each time any of these four data elements changes during the school year, a separate PIMS Student Calendar Fact record must be completed for the pupil. 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 pupil records are complete with these data fields.

PDE bases LEAs' major state subsidy and reimbursement calculations on the pupil record data it receives in PIMS. PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual pupil data for each pupil served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating each LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the pupil 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.

Discrepancies were found between the Center's SIS pupil membership reports and the pupil membership reports processed in the PIMS system for the 2009-10, 2010-11, and 2011-12 school years. Center personnel were unable to reconcile all pupil membership discrepancies identified during the audit for the three years due to the lack of adequate documentation (registration forms, withdrawal forms, SIS calendars, etc.) to support the correct reporting of pupil membership data. Changes in software and personnel also contributed to the inability of current Center personnel to identify the causes of the discrepancies in pupil membership.

Current Center personnel were not involved in the reporting of child accounting data during the 2008-09 school year and could not locate or provide copies of the child accounting reports that had been submitted to PDE. Therefore, the Center's SIS reports could not be verified to PDE reports for accuracy.

Additionally, according to the *Federal Information System Controls Audit 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 (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 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.

The discrepancies between the PIMS and the Center's SIS pupil membership reports went undetected until our audit because Center personnel did not perform any reconciliation procedures for the four audit years. Personnel noted they were not aware of the various PIMS reports, which were readily available to be reconciled to their SIS reports for accuracy.

When our comparisons of the SIS printouts and the PIMS reports identified pupil membership day differences, Center personnel were provided the opportunity to reconcile the differences. The comparison completed by Center personnel identified the following types of differences:

- Pupil membership days appeared on the SIS printouts for pupils who did not appear on the PIMS reports.
- Pupil membership days appeared on the PIMS reports for pupils who did not appear on the SIS printouts.
- Duplications of pupil membership days were noted on the PIMS reports.
- PIMS reports identified pupils under different districts or school terms than what appeared for the same pupils on the SIS printouts.
- Differences in pupil membership days were noted between the PIMS reports and the SIS printouts.
- The PIMS reports and SIS printouts had different school term days for the same group of pupils.
- Pupil membership days were reported for pupils who were enrolled in an exploratory program, which may not have been an approved vocational program by PDE for the 2009-10 school year. Since this may not have been an approved program, these days may not have been eligible for vocational education subsidy reimbursement.

Management is responsible for the implementation of internal controls over pupil membership data. The Center did not have adequate policies or procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel.

Due to inadequate documentation, we were unable to determine the correct pupil membership. Therefore, adjustments could not be made to the pupil membership data reported to PDE for the four audit years. Furthermore, we could not determine the impact of these differences on the amounts charged to the sending districts.

Recommendations

The *Franklin County Career and Technology Center* should:

1. Review the pupil membership reports that are available in the PIMS system and determine which reports are available that could assist the Center in its future reconciliation procedures (e.g. Instructional Time and Membership Reports, Student Calendar Fact Template Details Reports, etc.).

2. Maintain adequate documentation to support pupil membership data reported to PDE (registration/entry forms, withdrawal forms, SIS calendars, etc.).

3. Develop reconciliation procedures to help ensure pupil membership data generated by the SIS and submitted to PDE in PIMS is accurate prior to the submission of reports.

4. Reconcile school terms reported to PDE with the SIS calendars to ensure agreement for the actual number of days pupils were is session.

5. When PDE's PIMS reports are available each year, Center personnel should verify the accuracy of the processed data to ensure all pupil membership data was processed as it was intended. If errors are found, revisions should be submitted to PDE.

6. Review reports for the 2012-13 and 2013-14 school years and, if errors are found, submit revised reports to PDE.

Management Response

Management stated the following:

"Cause – The internal control deficiencies that resulted in the submission of inaccurate child accounting data was due to there not being any reconciliation between the school's student information system (SIS) pupil membership reports and the pupil membership reports processed in the PIMS system.

Corrective Action – The employees involved in reporting the child accounting data to the state have developed reconciliation procedures in working with the state auditor to ensure that proper data is submitted to PIMS. If errors are found, revisions will be submitted to PDE."

Auditor Conclusion

We are pleased that the Center has agreed with our finding and that it has begun implementing corrective action. The effectiveness of management's actions will be assessed during our next audit.

Finding No. 2

Inadequate Oversight of the Practical Nursing Program Funds Resulted in Violations of the Public School Code and Joint Operating Committee Policies

Criteria relevant to the finding:

PSC Section 440 – Deposit of Funds; Monthly Reports states, in part: "The treasurer of each school district shall deposit the funds belonging to the school district in the school depository, if any, as directed by the board of directors, and shall at the end of each month make a report to the school controller, if any, and to the secretary of the board of directors, of the amount of funds received and disbursed by him during the month." *See* 24 P.S. § 4-440.

PSC Section 440.1 – Investment of School District Funds states: "…(b) The board of school directors shall provide for an investment program subject to restrictions contained in this act and in any other applicable statute and any rules and regulations adopted by the board." It further goes on to list the types of investments authorized for school districts. Mutual Funds is **not listed** as an authorized type of investment. *See* 24 P.S. § 4-440.1.

JOC Policy 609 – Finances states in relevant part: "The designated individual responsible for investments shall report monthly to the JOC the following: 1. Amount of funds invested. 2. Interest earned and received to date. 3. Types and amounts of each investment and the interest rate on each. 4. Names of the institutions where investments are placed. 5. Current market value of the funds invested. 6. Other information required by the JOC."

Violations of the PSC and JOC policies were found during a review of the Practical Nursing Program **(**PNP). These violations were caused by internal control weaknesses at the PNP and by the Center's inadequate oversight of PNP operations.

The PNP serves adult students in the community and is not located on the same site as the Center. The PNP's books-of-account are maintained separately from the Center's books-of-account. Although the PNP's financial operations are primarily independent from those of the Center, the PNP's financial transactions are included on the Center's financial statements. PNP generates revenues from the tuition charged to its students. The PNP's checking account balance as of May 31, 2014, was $152,124 and its money market account balance was $298,546.

Our audit work of the PNP financial operations revealed several instances of noncompliance with both the PSC and with JOC policies as well as internal control weaknesses over financial operations at the offices of the PNP. Our findings are detailed below:

1) Violations of the PSC:

   Unauthorized Investment in Mutual Funds: During our review of the Center's independent auditor's schedule of findings for the 2010-11 fiscal year, we noted that the PNP invested over $300,000 in mutual funds from June 27, 2011 through October 28, 2011. According to Section 440.1 of the PSC, investment in mutual funds is not authorized. The PNP's nursing administrator took immediate action to liquidate the mutual fund investments upon learning that it was not an allowable investment. This investment resulted in a loss of $6,158.

Criteria relevant to the finding (continued):

JOC Policy 611 - Purchases Budgeted states, in part: "All requisitions should be prepared and brought to the Executive Director's office for approval or denial." The policy also states "If requisitions are approved, the bookkeeper shall assign a purchase order number and prepare a purchase order and deliver to the secretary in the Executive Director's office."

JOC Policy 616 Payment of Bills states, in part "All checks approved by the Joint Operating Committee shall be signed by the Chairperson, JOC Secretary and Treasurer."

PNP's Monthly Financial Reports did not contain required information: We found that the monthly financial reports provided to the JOC for the PNP financial operations did not contain the components required by the PSC and were prepared manually by the PNP administrative assistant. The PNP accounts are maintained in a program fund that is separate from the General Fund. Specifically, we noted that the monthly reports provided to the JOC did not include the beginning account balances, total amounts deposited into the accounts, and total amounts received into the accounts. Furthermore, these reports also failed to identify wire transfers and accrued interest for each of the accounts as required by the PSC Section 440. Instead, the report merely noted the ending account balances, a list of checks written, and the total amount of checks written for the month. In conclusion, the limited information contained in the monthly report to the JOC is insufficient to provide adequate oversight of the financial operations of the PNP.

2) Noncompliance with JOC policies:

Financial reporting requirements: JOC Policy 609 requires several details on the Center's investments. Since the PNP's accounting was separate from the Center, the required investment details should have been included on the PNP's monthly reports to the JOC. Our review of the PNP's monthly financial reports found that none of the required investment data, as detailed in the criteria box to the left, were presented on the monthly report. Accordingly, the investment in mutual funds did not appear on the JOC reports for the months of June 2011 through October 2011. Our review did note that a 2014 treasurer's report showed an investment in a money market and the account balance but no further details.

When the reports provided to the JOC do not contain the required components for each account, they do not provide sufficient information to the JOC to ensure adequate oversight and accountability over the PNP funds.

Inconsistent Purchasing Procedures: We found that the PNP purchasing practices are not in compliance with JOC Policy 611. We found that the PNP's purchases are approved by the nursing administrator and then processed by the administrative assistant. JOC Policy 611 requires the preparation of requisitions and purchase orders and the approval of the Executive Director.

Single Signature on PNP Checks: The nursing administrator is the only signature on the PNP checks. JOC Policy 616 requires three signatures on all checks. The PNP's practice of requiring only one signature on checks is not only a violation of JOC policy but is also a significant internal control weakness that increases the risk of unauthorized purchases.

3) Internal Control Weaknesses:

Failure to Use Compatible Financial Software Packages: The PNP uses QuickBooks as their financial software to record transactions, which is different than the financial software used by the Center. The Center's Business Manager does not have electronic access to the PNP books of account. The Business Manager is responsible for ensuring that the books of account for both the Center and the PNP are in agreement and for verifying the accuracy of the transactions and the journal entries; therefore, the Business Manager must conduct an onsite visit to review the accounting records of the PNP. This is not only an internal control weakness, but also results in significant time inefficiencies for the Business Manager and other Center staff.

Limited Segregation of Duties: The PNP has only two individuals (the nursing administrator and the administrative assistant) involved in the recording, reporting, and approval process for all accounting transactions. The administrative assistant is responsible for recording of receipts, depositing funds, and reconciling bank accounts. The nursing administrator reviews the bank statements and performs other spot checks. Inadequate segregation of duties could result in the failure to adequately safeguard assets and increase the risk of fraud occurring and possibly remain undetected.

<u>Inadequate Recordkeeping Training</u>: The administrative assistant, who is responsible for recording financial transactions for the PNP, has no formal experience as a bookkeeper, nor has she been provided any training in financial reporting. This has created limitations and financial reporting accuracy concerns which require a more extensive year-end review by the Center's Business Manager, as well as additional work for the independent auditors.

Center personnel have stated that the PNP's books of account have contained inaccurate journal entries, which have required figures in the QuickBooks software to be manually manipulated to arrive at the actual annual fund balance totals. Inaccurate financial recordkeeping may result in time inefficiencies, errors that could possibly go undetected, and opportunities for fraudulent transactions to occur and not be detected.

The lack of oversight of the financial activities and monitoring of the program was caused by the JOC and Center's administration allowing the PNP to control and operate its business and accounting activities largely independently of the Center. In addition, the Center's administration failed to implement procedures to ensure that the PNP operations were in accordance with JOC policies. This lack of oversight put taxpayer money in jeopardy with risky investment practices and improper and inefficient accounting procedures.

Recommendations

The *Franklin County Career and Technology Center* should:

1. Evaluate the financial operations of the PNP and determine if it would be more cost effective and efficient to have the Center's business office process the financial transactions for the PNP.

If the Center continues to operate the PNP independent from the business office, the following should be implemented:

2. Ensure that the monthly PNP financial reports provided to the JOC contain all components required by the PSC and/or JOC policies including: name of financial depository, beginning balance, total receipts, total disbursements, any accrued interest paid or due, and ending balance as well as all investment details.

3. Evaluate the production of manual vs. electronic reports to determine if changes in this process should be made. Producing manual reports is an inefficient use of time, and this process increases the chance of the omission of data and the occurrence of clerical errors.

4. Take appropriate action to ensure the adequate segregation of duties for the PNP financial recordkeeping duties.

5. Ensure adequate training is provided to all individuals who perform financial recordkeeping functions.

6. Ensure all PNP checks have three signatures as required by JOC Policy 616.

7. Ensure all PNP purchasing procedures are in compliance with JOC Policy 611.

Management Response

Management stated the following:

“1) Violation of PSC

Unauthorized Investment in Mutual Funds

Cause of the Problem – Nurse Administrator (NA) received improper direction from the former Business Manager and CPA firm regarding investment of funds and acted independently to work with financial institution to move funds from CD to Investment Account. Source of Practical Nursing Program funds was student tuition, not taxpayer funds, and was misinterpreted as monies that could be invested in selected mutual funds.

Corrective Action – When Auditor discovered error, the Nurse Administrator transferred funds immediately to acceptable and legal account. Solicitor provided guidance that even though program is an Adult Education Program, because the FCCTC is the LEA, PNP funds must be managed and invested in accordance with PSC Section 4-440.1.

The Nurse Administrator was educated about this code. PNP policy for investments was developed to align with PSC Section 4-440.1 and JOC Policy 609.

<u>PNP's Monthly Financial Reports did not contain required information</u>

Cause of the Problem – The Nurse Administrator provides a monthly report of the PNP's checking account to the Joint Operating Committee in the format requested. The PNP has been reporting in this format for more than 15 years. The report was amended to include the money market account balance that was opened when the monies involved in the first issue listed above was identified.

Corrective Action – When the State Audit report was presented to the Nurse Administrator, the Business Manager stated he would provide a template for reporting to the JOC. This is the template that the Business Manager uses for reporting all other FCCTC Funds. This template will be used going forward starting with the August 2015 JOC meeting.

These will include the required information to include beginning account balances, total amounts deposited, total amounts received, wire transfers, and accrued interest.

2) Noncompliance with JOC policies:

<u>Financial reporting requirements</u>

Cause of the Problem – The NA was not aware that JOC Policy 609 applied to the PNP operations and did not include the required information about the investment made in 2011.

Corrective Action – Upon discovery that the investment was inappropriate it was closed in 2011. There is no money invested in any accounts other than checking and money market accounts. The required information for reporting all accounts will be completed according to the template provided by the business manager starting with the Aug 2015 JOC meeting.

Inconsistent Purchasing Procedures

Cause of the Problem – The PNP has operated independently regarding purchases for the PNP for over 15 years. This process has been in existence since the Program was required to seek a location outside of the FCCTC building. The PNP Nurse Administrator was given the authority to conduct business for the PNP. There was no requirement to submit POs for approval through the FCCTC. There have been no issues raised by the JOC, Administrative Directors, Business Managers, or Auditors during this time.

Corrective Action – The PNP NA, Business Manager, and Administrative Director are seeking a solution to this problem. Access to the FCCTC online program for submission of PO is being investigated. Development of a policy to outline the process is in progress to align with FCCTC policies.

Single Signature on PNP Checks

Cause of the Problem – The PNP has operated independently of the Business Office managing financial accounts for more than 15 years since the PNP has been housed off campus from the FCCTC. The JOC Policy 616 was not interpreted as a requirement of the PNP, but was not written as an addendum to the policy.

Corrective Action – The PNP NA does provide a status report of the checking and money market accounts and is audited annually. The Administrative Director and Business Manager are investigating this policy and will confer with the JOC on how the PNP shall proceed regarding check signing. A PNP policy will be developed to align with the JOCs policy after the investigation is completed.

3) Internal Control Weaknesses:

Failure to use compatible financial software packages

Cause of the Problem – The PNP has operated independently of the Business Office managing financial accounts for more than 15 years. The PNP transitioned from a manual accounting process to QuickBooks approximately six years ago based on the local auditor's recommendation. There was no discussion to link to the FCCTC's financial software. The QuickBooks option was acceptable to the PNP, Business Manager, and Auditor.

The PNP coordinates with a QuickBooks consultant and Business Manager to ensure proper reporting. The Business Manager provides oversight on a systematic basis. The PNP NA provides oversight to ensure that QuickBooks accounts align with banking statements.

Corrective Action – The Administrative Director, Business Manager, and PNP NA are researching how best to align resources to provide direct access for the Business Manager to PNP financial software. Challenges currently exist related to the physical proximity of the PNP to the FCCTC. Recommended solutions must take these challenges into consideration.

Limited segregation of duties

Cause of the Problem – Due to the size of the PNP there is one administrator and one administrative assistant. The PNP has a policy that only checks or money orders are accepted for payment of admission applications, transcript requests, student fees, tuition, and any other fees that an applicant, student, or graduate would be assessed. No cash is accepted. There have been no concerns raised by the auditors regarding any unaccounted funds.

Corrective Action – The Administrative Director, Business Manager, and PNP NA are investigating how to provide a wider oversight of day to day operations.

<u>Inadequate Recordkeeping Training</u>

Cause of the Problem – When the PNP moved to its current location the Administrative Assistant continued management of records for payroll, tuition, and fee payments. The PNP NA provided oversight. The PNP assumed its responsibility for bill paying. When/If internal control issues were identified through annual audits, the PNP NA corrected the issues. It is not known what discussion and training occurred for the former NA and Administrative Assistant to take responsibility for the financial operations of the PNP when it relocated.

Since the transition to QuickBooks, the Administrative Assistant and current NA have participated in training for the software. The Administrative Assistant does not have training in financial reporting. A trial balance by the auditor is the only requested financial report.

During annual audits, since QuickBooks was initiated, some inadequate bookkeeping was identified. The source of the issue was the initial set up of QuickBooks. The PNP did enlist the expertise of a consultant recommended by the auditor. The PNP believed that the bookkeeping was corrected. Since then there have been some comments about inaccurate journal entries. The Business Manager's assistance was elicited and the QuickBooks consultant was contacted.

In the last two years, the Auditor and Business Manager expressed concern about the Administrative Assistant's lack of financial reporting experience.

Corrective Action – The QuickBooks consultant has corrected the initial problems in the set-up of the financial software and inaccurate journal entries. According to the auditor's and Business Manager's recent audit visit on Aug 12, 2015 for the 2014-15 fiscal year comments were made that the report provided by the Administrative Assistant was without error and provided the data needed to assess deferred revenues.

The Business Manager will make recommendations for the educational background and/or training that is required to prepare financial reporting requirements. These courses/training/education will be required for continued employment and be added to the Administrative Assistant job description."

Auditor Conclusion

The finding outlines the issues that were noted during the audit and will stand as written.

Based on management's response, management is in the process of taking corrective action. Since this corrective action took place after the audit was completed, the effectiveness of these corrective actions will be assessed during our next audit.

Status of Prior Audit Findings and Observations

Our prior audit of the Center resulted in no findings or observations.

Distribution List

This report was initially distributed to the Director of the Center, the Joint Operating Committee, and the following stakeholders:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera
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