



**ADMIRAL PEARY AREA VOCATIONAL-
TECHNICAL SCHOOL**

CAMBRIA COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FEBRUARY 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

Mrs. Donell Jacoby
Joint Operation Committee Chairperson
Admiral Peary Area Vocational-Technical
School
948 Ben Franklin Highway
Ebensburg, Pennsylvania 15931

Dear Governor Corbett and Mrs. Jacoby:

We conducted a performance audit of the Admiral Peary Area Vocational-Technical School (Center) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period January 11, 2011 through November 14, 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.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

February 12, 2014

cc: **ADMIRAL PEARY AREA VOCATIONAL-TECHNICAL SCHOOL** Joint Operating
Committee Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Status of Prior Audit Findings and Observations	6
Distribution List	8

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Admiral Peary Area Vocational-Technical School (Center) in Cambria 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 January 11, 2011 through November 14, 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 2010-11 and 2011-12 school years.

Center Background

According to Center officials, the Center provided educational services to 381 secondary pupils and 182 post-secondary pupils through the employment of 20 teachers, eighteen (18) full-time and part-time support personnel, and three (3) administrators. A joint operating committee (JOC), which is comprised of ten (10) members from the following school districts, directs the operation, administration, and management of the school:

Blacklick Valley
Cambria Heights
Central Cambria
Conemaugh Valley
Northern Cambria
Penn Cambria
Portage Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three (3) year term. The Center received \$531,944 in state funding in 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. 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 Admiral Peary Area Vocational-Technical School (Center) from an audit released on May 9, 2011, we found that the Center had not taken appropriate corrective action in implementing our recommendations pertaining unmonitored vendor system access and logical access control weaknesses (see page 6).

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 January 11, 2011 through November 14, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2013 through November 7, 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?
- ✓ In areas where the Center received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does 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 there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the Center take appropriate corrective action to address recommendations made in prior audit?

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.

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 pupil membership records.

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

Lastly, to determine in the status of our audit recommendations made in a prior audit report released on May 9, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observation

Our prior audit of the Admiral Peary Area Vocational-Technical School (Center) released on May 9, 2011, resulted in one (1) reported observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the Center to implement our prior recommendations. We performed audit procedures and interviewed Center personnel regarding the prior observation. As shown below, we found that the Center did not implement one (1) of five (5) recommendations related to unmonitored vendor system access and logical access control weaknesses.

Auditor General Performance Audit Report Released on May 9, 2011

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

Observation
Summary:

During our review, we found the Center had the following weaknesses over remote vendor access:

1. The Center does not have evidence that it is monitoring reports of user remote access and activity on the system (including vendor and Center employees). There is no evidence that the Center was performing procedures to determine which data the vendor may have altered or which vendor employees accessed the system.
2. The Center does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
3. The Center does not require written authorization before adding, deleting, or changing a userID.
4. The Center does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the Center's Acceptable Use Policy.
5. The Center has certain weaknesses in logical access controls. We noted that the Center's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days, and does not lock out users after three (3) unsuccessful access attempts.

Recommendations: Our audit observation recommended that the Center:

1. Review monitoring reports to determine that access was appropriate and that data was not improperly altered. In addition, the Center should ensure it is maintaining evidence to support this monitoring and review.
2. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Establishing separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or require the vendor to sign the Center's Acceptable Use Policy.
5. Implement a security policy and system parameter setting to require all users, including the vendor, to change passwords on a regular basis (i.e., every 30 days), and to lock out users after three (3) unsuccessful access attempts.

Current Status: During our current audit, we found that the Center implemented recommendations one (1) through four (4) but did not implement recommendation five (5).

We recommend the Center comply with our previous recommendation and lock out users after three (3) unsuccessful access attempts.

Distribution List

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

The Honorable Tom Corbett
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The Honorable Carolyn Dumaesq
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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.