



**EASTERN WESTMORELAND CAREER AND
TECHNOLOGY CENTER**

WESTMORELAND COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

APRIL 2013

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

Ms. Irma Hutchinson, Chairperson
Eastern Westmoreland Career and
Technology Center
4904 Route 982
Latrobe, Pennsylvania 15650

Dear Governor Corbett and Ms. Hutchinson:

We conducted a performance audit of the Eastern Westmoreland Career and Technology Center (EWCTC) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period November 4, 2010, through April 13, 2012, 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 EWCTC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, three matters unrelated to compliance are reported as observations. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

April 3, 2013

cc: **EASTERN WESTMORELAND CAREER and TECHNOLOGY CENTER** Joint
Operating Committee Members



Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Observation No. 1 – Unmonitored System Access and Logical Access Control Weaknesses	6
Observation No. 2 - The Career and Technology Center Lacks Sufficient Internal Controls Over Its Student Record Data	10
Observation No. 3 – The Career and Technology Center Lacks Sufficient Internal Controls Over Its Substitute Teachers Record Data	13
Status of Prior Audit Findings and Observations	15
Distribution List	17



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Eastern Westmoreland Career and Technology Center (EWCTC). Our audit sought to answer certain questions regarding the EWCTC's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period November 4, 2010, through April 13, 2012, 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 EWCTC provided educational services to 579 secondary pupils and 120 post-secondary pupils through the employment of 20 teachers, 5 full-time and part-time support personnel, and 4 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises nine members from the Derry Area, Greater Latrobe, and Ligonier Valley school districts.

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the EWCTC received more than \$445 thousand in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the EWCTC complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures. However, as noted below, we identified three matters unrelated to compliance that are reported as observations.

Observation No. 1: Unmonitored System Access and Logical Access Control

Weaknesses. We determined that a risk exists that unauthorized changes to the EWCTC's data could occur and not be detected because the EWCTC was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system (see page 6).

Observation No. 2: The Career and Technology Center Lacks Sufficient Internal Controls Over Its Student Record Data.

Our test of students that had more than ten consecutive days of unexcused absences found that the EWCTC had incorrectly kept them on the active membership rolls. Also, for the audit period, our test of student registrations found that the EWCTC does not maintain adequate supporting documentation (i.e. student registration forms and entry/withdrawal forms where applicable) to verify its student registration data (see page 10).

Observation No. 3: The Career and Technology Center Lacks Sufficient Internal Controls Over Its Substitute Teachers Record Data. Our audit of professional employees' certification and assignments for the period July 1, 2010, through June 30, 2011, found that the EWCTC's internal controls over its substitute teachers record data needs to be improved for recording and compliance issues that could arise through-out the school year (see page 13).

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

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

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 November 4, 2010, through April 13, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2010, through June 30, 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 Pennsylvania 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 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 EWCTC's compliance with applicable state laws, 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. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Does the School have sufficient internal controls to ensure that the membership data it reported to the Pennsylvania Information Management System is complete, accurate, valid and reliable?
- ✓ Are there any declining fund balances that may impose risk to the School's fiscal viability?
- ✓ Did the School pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ Did the School have a properly executed and updated Memorandum of Understanding with local law enforcement?

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, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observations and conclusions based on our audit objectives.

EWCTC management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the EWCTC is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the District's internal controls, including any IT controls, as they relate to the District's compliance with applicable state laws, regulations, contracts, grant agreements and administrative procedures 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 control 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/reimbursement, 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, pupil membership records, reimbursement applications.

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

Findings and Observations

Observation No. 1

What is logical access control?

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

Unmonitored System Access and Logical Access Control Weaknesses

The Eastern Westmoreland Career and Technology Center (EWCTC) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). Additionally, the EWCTC’s entire computer system, including all of its data and the vendor’s software, are maintained on the Westmoreland Intermediate Unit #7’s (WIU)’s servers, which are physically located at the WIU. The EWCTC has remote access into WIU’s network servers. The WIU also provides the EWCTC with system maintenance and support.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the EWCTC’s data could occur and not be detected because the EWCTC was unable to provide supporting evidence that it is adequately monitoring all vendor activity in its system. However, since the EWCTC has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the EWCTC would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the EWCTC’s membership information and result in the EWCTC not receiving the funds to which it was entitled from the state.

During our review, we found the EWCTC had the following weaknesses over vendor access to the EWCTC’s system:

1. The EWCTC does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants and for addressing password security and syntax requirements.

2. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
3. The EWCTC does not have evidence that it is generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and the EWCTC employees). There is no evidence that the EWCTC is performing procedures to determine which data the vendor may have altered or which vendor employees accessed its system.
4. The EWCTC has certain weaknesses in environmental controls in the room that contains the server that houses all of the EWCTC's data. We noted that the specific location does not have fire detection or fire suppression equipment inside the server room.
5. The EWCTC could not provide a contract which covers the support services between the EWCTC and WIU regarding network support services, technical support, and the operation of the outside vendor software.
6. The EWCTC does not have a contingency plan in place to handle a major IT failure.

Recommendations

The *Eastern Westmoreland Career and Technology Center* should:

1. Establish IT policies and procedures for controlling the activities of vendors/consultants and to address password security and syntax requirements.
2. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the EWCTC system.
3. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The EWCTC should review these reports to determine that the access was appropriate and that data was not improperly altered. The EWCTC should also ensure it is maintaining evidence to support this monitoring and review.

4. Consider implementing additional environmental controls around the network server sufficient to satisfy the requirements of the manufacturer of the server and to ensure warranty coverage. Specifically, the EWCTC should install fire detectors and fire extinguishers in the server room.
5. Obtain a contract which covers the operations/technical support arrangement between the EWCTC and WIU regarding the EWCTC's network support services, technical support issues, and operating the outside vendor software.
6. The EWCTC should have its own contingency plan in place to handle a major IT failure.

Management Response

Management stated the following:

“Below are the responses to the recommendations to weaknesses in IT System Access and Logical Access:

- “1. EWCTC will consider procedures in the Computer Use Policy that specify activities for which vendors/consultants are permitted to log into EWCTC's computer system and for addressing password security and syntax requirements.
- “2. EWCTC will work toward having vendors use a unique userID and password when accessing the EWCTC system instead of using a group userID.
- “3. EWCTC will work with technology support to generate monitoring reports, including firewall logs, vendor and employee access that provide detailed information and reason for access. EWCTC will monitor the reports.
- “4. EWCTC installed a fire detector and fire extinguisher in the server room. This was completed in January 2012.

- “5. EWCTC will work with the solicitor and technology support to develop a contract that covers the operations/technical support between EWCTC and the WIU.
- “6. EWCTC will work towards developing a contingency plan that establishes procedures in the event of a major IT failure.”

Observation No. 2

The Career and Technology Center Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the observation:

According to PDE's 2009-10 PIMS User Manual, all Pennsylvania LEAs must submit data templates as part of the 2009-10 child accounting data collection. 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.

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.

Additionally, according to the *Federal Information Systems Control Manual (FISCAM)*, 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.

Beginning with the 2009-10 school year, the Pennsylvania Department of Education (PDE) now 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 and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems. PIMS replaces PDE's previous reporting system, the Child Accounting Database (CAD), which PDE ran concurrently until it brought PIMS completely online. PDE no longer accepts child accounting data through the CAD system.

Because PDE now uses the data in PIMS to determine each LEA's state subsidy, it is vitally important that the student information entered into this system is accurate, complete, and valid. Moreover, anytime an entity implements a computer system of this magnitude, there is an increased risk that significant reporting errors could be made. LEA's must ensure that they have strong internal controls to mitigate these risks to their data's integrity. Without such controls, errors could go undetected and subsequently cause the LEA to receive the improper amount of state reimbursement.

Our review of the Eastern Westmoreland Career and Technology Center's (EWCTC) controls over data integrity found that internal controls need to be improved. Specifically, our review found that:

1. Our test of students that had more than ten consecutive days of unexcused absences, conducted to verify that the students were removed from rolls or that the EWCTC was actively pursuing them, found that the EWCTC had incorrectly kept students on the active membership roll. The EWCTC was unable to provide evidence that the absences may have been legally excused, or that compulsory attendance prosecution had been or was being pursued.

Criteria relevant to the observation:

State Board of Education regulation 22 Pa Code Section 11.24 provides:

“Students whose names are on the active membership roll, who are at anytime in the school term absent from school for 10 consecutive school days, shall thereafter be removed from the active membership roll unless one of the following occurs:

“(1) The district has been provided with evidence that the absence may be legally excused.

“(2) Compulsory attendance prosecution has been or is being pursued.”

2. Our test of student registrations found that the EWCTC does not maintain adequate evidence of supporting documentation (i.e. student registration forms and entry/withdrawal forms, where applicable) to verify its student registration data.

These weaknesses occurred because EWCTC personnel relied on the students’ home school districts to monitor unexcused absences and maintain supporting documentation of the registration, entry and withdrawal of students.

Recommendations

The *Eastern Westmoreland Career and Technology Center* should:

1. Implement procedures to verify that students whose names are on the active membership roll, who are at anytime in the school term absent from school for 10 consecutive school days, shall thereafter be removed from the active membership roll unless one of the following occurs:
 - (a) The district has been provided with evidence that absence may be legally excused.
 - (b) Compulsory attendance prosecution has been or is being pursued.
2. Maintain the forms and relevant support documentation related to its student registrations and entry/withdrawal transactions.

Management Response

Management stated the following:

- “1. Eastern Westmoreland Career and Technology Center’s (EWCTC) practice is and has been controlled by the direction of the sending district(s) as to when a student is to be removed from the rolls at EWCTC. Since the student’s register for EWCTC classes at their home school as part of their scheduling process, removing students from any course is under the discretion of the home school. However, going forward, EWCTC will be proactive and when a student is close to being ten consecutive days absent, EWCTC will make contact with the home school to find out if (a) or (b) above applies. If so, EWCTC will obtain proper documentation or have the student removed from the rolls if (a) or (b) does not apply. . . .
- “2. Eastern Westmoreland Career and Technology Center follows a process for student registrations, along with entry/withdrawal transactions where students from one year to the next are rolled over and new students are provided to us through the home districts via excel spreadsheets or by paper copies. Entries and withdrawals during the school year are documented through a paper process between the home districts and EWCTC and all is signed off by the Principal. However, during this audit we were instructed that we need to maintain ‘source’ documents for all students. The ‘source’ documents are their initial information that is received/maintained at the home district on each and every student. Going forward, EWCTC will ask the home districts for ‘source’ document(s) for students who attend EWCTC. EWCTC will maintain these records as part of the students’ permanent file.”

Observation No. 3 →

The Career and Technology Center Lacks Sufficient Internal Controls Over Its Substitute Teachers Record Data

Criteria relevant to the observation:

State Board of Education regulation 22 Pa Code 49.153 provides:

“(a) The chief school administrator or vocational school administrative director having jurisdiction over any approved Vocational Education program is authorized to issue a special Day-to-Day Substitute Permit to an occupational practitioner when no properly certified teachers are available. The teacher shall function under the supervision of a properly certified supervisor or administrator. Assignments as described in this section shall be made only in case of an emergency and may not exceed 20-consecutive school days. This permit will be valid for 20 days of substitute service and may be renewed for an additional 20 school days upon the approval of the Secretary.

“(b) This permit does not qualify the holder to serve as a regularly employed teacher to fill a vacant position or as a long-term substitute. These positions shall be filled by a person holding a valid Vocational Instruction or a State issued Long-term or Day-to-Day Substitute Permit. . . .”

Our review of the Eastern Westmoreland Career and Technology Center’s (EWCTC) professional employees’ certification and assignments for the period July 1, 2010, through June 30, 2011, found that the EWCTC’s internal controls over its Substitute Teachers Record Data needs to be improved upon for recording and compliance issues that could arise through-out the school year.

Specifically, our review found that the EWCTC is not issuing or obtaining the necessary Substitute Permits as required by 22 Pa Code Section 49.153 State Board of Education (SBE) regulations. The EWCTC used 15 different substitute teachers during the 2010-11 school year. If a substitute teaches for *one* day, the EWCTC needs to issue a Day-to-Day Substitute Permit. Our test found that no Day-to-Day Substitute Permits were issued for the 15 Substitute Teachers used in the school year. If a substitute teaches for more than 20 *cumulative* days in the school year, the EWCTC needs to apply for a Pennsylvania Department of Education (PDE) vocational emergency permit for all subject areas. Our testing found that seven substitute teachers exceeded 20 cumulative days and needed such an emergency permit, which the EWCTC failed to apply for.

The certification deficiency occurred because the administration failed to accurately monitor Substitute Permits as required by 22 Pa Code, Section 49.153 of the SBE.

Recommendations

The *Eastern Westmoreland Career and Technology Center* should:

1. Follow SBE regulations as they relate to vocational Day-to-Day Substitute Permits.
2. Monitor the cumulative days of substitutes' assignments and apply for vocational emergency permits when necessary.
3. Follow PDE guidelines and instructions concerning the maintenance and retention of adequate documentation as it relates to the proper issuing or obtaining of substitute teacher permits.

Management Response

Management stated the following:

- “1. Eastern Westmoreland Career and Technology Center (EWCTC) has reviewed Section 49.153 [State Board of Education regulations] as it relates to the Vocational Day-to-Day Substitute Permits. Based on this review, EWCTC will follow these guidelines outlined in Section 49.153 - Vocational Day-to-Day Substitute Permits. . . .
- “2. Eastern Westmoreland Career and Technology Center is currently keeping a daily tracking of teacher substitutes using a spreadsheet that lists substitutes, program and day(s). This tracking will allow us to be alerted when a specific permit is needed, therefore keeping in compliance with Section 49.153 of the [State Board of Education regulations].”

Status of Prior Audit Findings and Observations

Our prior audit of the Eastern Westmoreland Career and Technology Center resulted in no findings or observations.



Distribution List

This report was initially distributed to the career and technology center superintendent of record, the joint operating committee, our website address at www.auditor.gen.state.pa.us, and the following:

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

