

PERFORMANCE AUDIT

Dauphin County Technical School Dauphin County, Pennsylvania

November 2014



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



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Brian Faleshock
Joint Operating Committee Chairperson
Dauphin County Technical School
6001 Locust Lane
Harrisburg, Pennsylvania 17109

Dear Governor Corbett and Mr. Faleshock:

We conducted a performance audit of the Dauphin County 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 September 27, 2011 through July 23, 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, 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

November 20, 2014

cc: **DAUPHIN COUNTY TECHNICAL SCHOOL** Joint Operating Committee Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Dauphin County Technical School (Center) in Dauphin 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 and to determine the status of corrective action taken by the Center in response to our prior audit recommendations.

Our audit scope covered the period September 27, 2011 through July 23, 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 2010-11 and 2011-12 school years.

Center Background

According to Center officials, in the 2011-12 school year the Center provided educational services to 878 secondary pupils through the employment of 87 teachers, 52 full-time and part-time support personnel, and nine (9) administrators. A joint operating committee (JOC), which is comprised of twelve (12) members from the following school districts, directs the operation, administration, and management of the Center:

Central Dauphin
Derry Township
Halifax Area
Lower Dauphin

Middletown Area
Susquehanna Township

The JOC members are appointed by the individual school boards at the December meeting, each to serve a two-year term. The Center received \$1.2 million 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. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Dauphin County Technical Center (Center) from an audit released on January 20, 2012, we found that the Center had taken appropriate corrective action in implementing our recommendations pertaining to the certification deficiency (see page 6) and the internal control deficiencies over child accounting data (see page 7).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the 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 27, 2011 through July 23, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2013 through June 23, 2014.

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?

- ✓ 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 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 did the current employment contract(s) contain adequate termination provisions?
- ✓ 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 interest?
- ✓ 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 our prior audit?

Methodology

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

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.

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, and comparative financial information.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, pupil membership, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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

To determine the status of our audit recommendations made in a prior audit report released on January 20, 2012, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Dauphin County Technical School resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Dauphin County Technical School (Center) released on January 20, 2012, resulted in two (2) reported findings. The first finding pertained to a certification deficiency, and the second finding pertained to inadequate internal controls over child accounting data that resulted in unverifiable subsidy reimbursement. 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 findings. As shown below, we found that the Center implemented our recommendations related to certification and internal controls over child accounting data that resulted in unverifiable subsidy reimbursement.

Auditor General Performance Audit Report Released on January 20, 2012

Finding No. 1: Certification Deficiency

Finding Summary: Our prior audit found one (1) individual taught without proper certification. This individual was assigned to teach driver/safety education for the 2010-11 school year. The individual did not obtain proper certification until April 2011, which resulted in a \$314 subsidy forfeiture.

Recommendations: Our audit finding recommended that the Center should:

Ensure only properly certified individuals holding current and valid certificates are allowed to teach students.

We also recommended that the Pennsylvania Department of Education (PDE) should:

Adjust the Center's allocations to recover the appropriate subsidy forfeiture.

Current Status: Our current audit found that the Center implemented the recommendations by ensuring the driver education teacher obtained proper certification for the 2011-12 school year. Furthermore, it was noted the driver education program was eliminated after the 2011-12 school year.

PDE recovered the subsidy forfeiture on June 1, 2012.

Finding No. 2: Inadequate Internal Controls Resulted in Unverifiable Subsidy Reimbursement

Finding Summary: Our prior audit found that residency classification for non-resident children placed in private homes (foster children) was not accurately reported and that the internal child accounting reports did not agree with the data reported to PDE for the 2009-10 school year.

Recommendations: Our audit finding recommended that the Center should:

1. Provide training to all individuals involved with child accounting and the reporting of child accounting data to PDE.
2. Open lines of communication with all sending districts and express the urgency and importance of sharing information to ensure child accounting data is properly reported and that both the districts and the Center receive the correct amount of state subsidy.
3. Create and maintain a child accounting manual that describes in detail, the procedures for registering students, and for the recording, processing and reporting of child accounting data to PDE.
4. Contact PDE directly to get clarification on any unclear correspondence that involves a change in the reporting of child accounting data.
5. Perform an end-of-year reconciliation of child accounting data to ensure that the child accounting software is in agreement with the data reported via the Pennsylvania Information Management System, and retain all files and reports for audit purposes.
6. Develop procedures to identify all non-resident students placed in private homes and obtain all necessary documentation to support the classification of such students.
7. Review all child accounting data for the 2010-11 school year and revise as necessary.
8. Submit all necessary revisions to PDE.

We also recommended that PDE should:

9. Review the propriety of subsidies and reimbursements paid to the Center.

Current Status:

Our current audit found that the Center did implement the recommendations by providing training to employees, creating a child accounting procedure manual, and performing reconciliations for the audit years.

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
Governor
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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.