

CARBON CAREER & TECHNICAL INSTITUTE

CARBON COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

NOVEMBER 2011



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

Mr. Anthony DeMarco  
Joint Operating Committee Chairperson  
Carbon Career & Technical Institute  
150 West 13<sup>th</sup> Street  
Jim Thorpe, Pennsylvania 18229

Dear Governor Corbett and Mr. DeMarco:

We conducted a performance audit of the Carbon Career & Technical Institute (CCTI) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 24, 2009 through June 16, 2011, 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 CCTI complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the CCTI's cooperation during the conduct of the audit

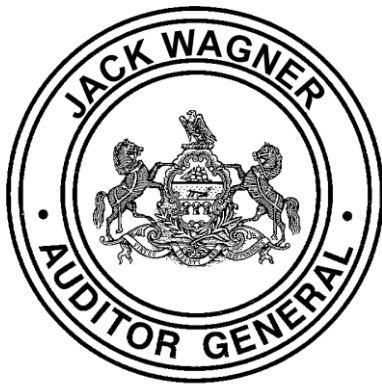
Sincerely,

/s/

JACK WAGNER  
Auditor General

November 9, 2011

cc: **CARBON CAREER & TECHNICAL INSTITUTE** Joint Operating Committee  
Members

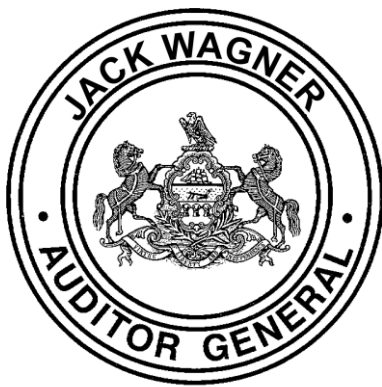


## **Table of Contents**

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	6
Status of Prior Audit Findings and Observations .....	7
Distribution List .....	9



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Carbon Career & Technical Institute (CCTI). Our audit sought to answer certain questions regarding the CCTI's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CCTI in response to our prior audit recommendations.

Our audit scope covered the period March 24, 2009 through June 16, 2011, 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 CCTI provided educational services to 343 secondary pupils through the employment of 33 teachers, 29 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 is comprised of 5 members from the following school districts:

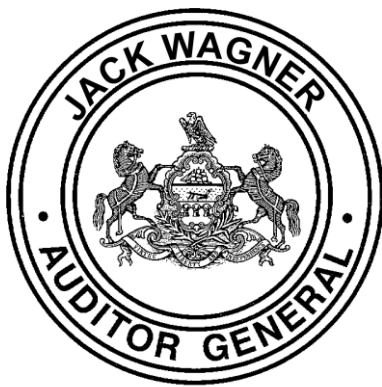
Jim Thorpe Area  
Lehigh Area  
Palmerton Area  
Panther Valley  
Weatherly Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the CCTI received \$630,372 in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the CCTI complied, in all significant respects, with applicable 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 CCTI from an audit we conducted of the 2007-08 and 2006-07 school years, we found the CCTI did take appropriate corrective action in implementing our recommendations pertaining to a certification deficiency and its student accounting applications (see page 7).





## Audit Scope, Objectives, and Methodology

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### 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 concerned entities.

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 March 24, 2009 through June 16, 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 Department of Education (DE) 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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the CCTI's compliance with applicable 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 School receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the School?
- ✓ Did the School pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do

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 which warrant further attention during our audit?
- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ Did the School use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the School take appropriate corrective action to address recommendations made in our prior audits?

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

CCTI management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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 membership, 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 and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 2, 2009, we performed additional audit procedures, targeting the previously reported matters. DE does not require the joint operating committee to provide a response for a certification finding and a student accounting applications observation.

## **Findings and Observations**

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**F**or the audited period, our audit of the Carbon Career and Technical Institute resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

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Our prior audit of the Carbon Career and Technical Institute (CCTI) for the school years 2007-08 and 2006-07 resulted in one reported finding and one observation. The finding pertained to a certification deficiency and the observation pertained to the strengthening of controls over outside vendor access to student accounting applications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior finding and observation. As shown below, we found that the CCTI did implement recommendations related to the certification deficiency and the strengthening of controls over outside vendor access to student accounting applications.

### School Years 2007-08 and 2006-07 Auditor General Performance Audit Report

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**Finding:** Possible Continued Certification Deficiency

Finding Summary: The audit of the CCTI's professional employees' certificates and assignments for the period July 1, 2007 through January 31, 2009, found one science teacher may have been employed for a portion of time without proper certification which resulted in a subsidy forfeiture.

Recommendations: Our audit finding recommended that the CCTI:

1. Develop procedures to compare the Department of Education's (DE) certification requirements to the assignment the District intends to give a professional or nonprofessional employee.
2. Require the cited individual to obtain proper certification required for the position or reassign the individual to an area for which he has proper certification.

The *Department of Education* should:

3. In conjunction with the Bureau of School Leadership and Teacher Quality's response, adjust the District's allocations to recover the subsidy forfeiture of \$289 for the 2007-08 school year, and the subsidy forfeiture determined for the 2008-09 school year.

Current Status: During our current audit procedures, we found that the CCTI did implement the recommendations. DE upheld the citation and recovered the subsidy forfeiture.

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

Observation Summary: The CCTI uses software purchased from Carbon Lehigh Intermediate Unit #21 (IU) for its critical student accounting applications (membership and attendance). The IU has remote access into the CCTI's network servers.

Recommendations: Our audit observation recommended that the CCTI:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Establish separate information technology policies and procedures for controlling the activities of IU/consultants and have the IU sign this policy, or the CCTI should require the IU to sign the CCTI's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
4. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
5. Only allow access to their system when the IU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the IU has completed its work. This procedure would also enable the monitoring of IU changes.
6. Generate monitoring reports (including firewall logs) of IU and employee access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The CCTI should review these reports to determine that the access was appropriate and that data was not improperly altered. The CCTI should also ensure it is maintaining evidence to support this monitoring and review.

Current Status: During our current audit procedures, we found that the CCTI did implement the recommendations.

## **Distribution List**

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This report was initially distributed to the area vocational-technical school superintendent of record, the joint operating committee, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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The Honorable Robert M. McCord  
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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, 318 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](http://www.auditorgen.state.pa.us).

