

CAREER INSTITUTE OF TECHNOLOGY  
NORTHAMPTON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Dr. Pat Vulcano, Jr.  
Joint Operating Committee Chairperson  
Career Institute of Technology  
5335 Kesslersville Road  
Easton, Pennsylvania 18040

Dear Governor Corbett and Dr. Vulcano:

We conducted a performance audit of the Career Institute of Technology (CIT) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 10, 2009 through May 5, 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 CIT complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 11, 2012

cc: **CAREER INSTITUTE OF TECHNOLOGY** Joint Operating Committee Members



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period June 10, 2009 through May 5, 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 CIT provided educational services to 657 secondary pupils and 232 post-secondary pupils through the employment of 27 teachers, 46 full-time and part-time support personnel, and 6 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of (9) members from the following school districts:

Bangor Area  
Easton Area  
Nazareth Area  
Pen Argyl Area  
Wilson Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the CIT received \$740,914 in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the CIT 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 CIT from an audit we conducted of the 2007-08 and 2006-07 school years, we found the CIT has not taken appropriate corrective action in implementing our recommendation pertaining to their access controls to the student accounting applications. We addressed this deficiency in a verbal comment (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 June 10, 2009 through May 5, 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 CIT'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.

CIT 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 CIT operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 15, 2010, we reviewed the CIT's response to DE dated March 10, 2010. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Career Institute of Technology (CIT) for the school years 2007-08 and 2006-07 resulted in one observation reported. The observation pertained to outside vendor access to the student accounting applications. As part of our current audit, we determined the status of corrective action taken by the CIT to implement our prior recommendations. We analyzed the CIT Director's written response provided to the Department of Education (DE), performed audit procedures, and questioned CIT personnel regarding the prior observation. As shown below, we found that the CIT did not implement recommendation related to outside vendor access to the student accounting applications.

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

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

Observation

Summary:

The CIT has certain weaknesses in logical access controls. We noted that the CIT's system parameter settings do not require all users, including the vendor, to change their password every 30 days; to use passwords that are a minimum length of eight characters; and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Recommendations:

Our audit observation recommended that the CIT:

Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days); to use passwords that are a minimum length of eight characters; and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Current Status:

During our current audit procedures we found that the CIT did not implement the recommendation for the child accounting system; however, CIT applied our recommendation to their network system. We continue to recommend that the CIT implement the recommendation in their child accounting system. We will follow up on this issue during our next audit.



## **Distribution List**

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This report was initially distributed to the career institute of technology 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:

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