

CENTRAL PENNSYLVANIA INSTITUTE OF SCIENCE AND TECHNOLOGY

CENTRE COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JUNE 2011



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

Mr. Henry Yeagley  
Joint Operating Committee Chairperson  
Central Pennsylvania Institute of  
Science and Technology  
540 North Harrison Road  
Pleasant Gap, Pennsylvania 16823

Dear Governor Corbett and Mr. Yeagley:

We conducted a performance audit of the Central Pennsylvania Institute of Science and Technology (CPIST) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 6, 2009 through January 24, 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 CPIST complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

June 2, 2011

cc: **CENTRAL PENNSYLVANIA INSTITUTE OF SCIENCE AND 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 Central Pennsylvania Institute of Science and Technology (CPIST). Our audit sought to answer certain questions regarding the CPIST's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CPIST in response to our prior audit recommendations.

Our audit scope covered the period July 6, 2009 through January 24, 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 CPIST provided educational services to 502 secondary pupils and 448 post-secondary pupils through the employment of 21 teachers, 10 full-time and part-time support personnel, and 3 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises five members from the following school districts:

Bald Eagle Area  
Bellefonte Area  
Penns Valley Area

The JOC members are appointed by the individual school boards at the December meeting, each to serve a two year term. Lastly, the CPIST received more than \$852,000 in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the CPIST 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 CPIST, we found the CPIST had taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 7) and a Memorandum of Understanding that was not updated timely (see page 8).





## 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

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 July 6, 2009 through January 24, 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 CPIST'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 pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ 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?

- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the School ensure that Joint Operating Committee members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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**

*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 and conclusions based on our audit objectives.

CPIST 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

*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.

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 pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 13, 2010, we reviewed the CPIST's response to DE dated December 13, 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 Central Pennsylvania Institute of Science and Technology resulted in no findings or observations.

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

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Our prior audit of the Central Pennsylvania Institute of Science and Technology (CPIST) for the school years 2007-08 and 2006-07 resulted in one reported finding and one reported observation. The finding pertained to certification and the observation pertained to a Memorandum of Understanding that was not updated timely. As part of our current audit, we determined the status of corrective action taken by the School to implement our prior recommendations. We analyzed the CPIST Joint Operating Committee's (JOC) written response provided to the Department of Education (DE), performed audit procedures, and questioned School personnel regarding the prior finding and observation. As shown below, we found that the CPIST did implement recommendations related to certification and the Memorandum of Understanding that was not updated timely.

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

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**Finding:** **Certification Deficiencies**

Finding Summary:

Our prior audit of the professional employees' certificates and assignments for the period March 14, 2007 through July 1, 2009, found that one individual was employed with a lapsed certificate and one individual was employed without possessing proper certification. CPIST was subject to a subsidy forfeiture of \$4,804 for the 2007-08 school year.

Recommendations:

Our audit finding recommended that the CPIST:

1. Take the necessary action required to ensure compliance with certification regulations.
2. Implement procedures to track years of service for all individuals who are not permanent certified.
3. Ensure only properly certified individuals holding current and valid certificates are allowed to teach.

We also recommended that DE adjust CPIST's allocations to assess the appropriate subsidy forfeiture.

Current Status:

During our current audit procedures, we found that the CPIST did implement the recommendations. In addition, DE withheld the subsidy forfeiture of \$4,804 in June 2010.

**Observation:** **Memorandum of Understanding Not Updated Timely**

Observation Summary: Our prior audit of CPIST's records found that the Memorandum of Understanding (MOU) between the CPIST and the local law enforcement agency was signed on August 8, 2006 and was not updated until June 19, 2009.

Recommendations: Our audit observation recommended that the CPIST:

1. Continue to review, update and re-execute the current MOU between CPIST and the local law enforcement agency.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

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

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## **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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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).

