

CENTRAL PENNSYLVANIA INSTITUTE OF SCIENCE AND TECHNOLOGY

CENTRE COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JANUARY 2010



The Honorable Edward G. Rendell  
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 Rendell 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 May 4, 2007 through July 6, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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, except as detailed in one finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 13, 2010

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 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 CPIST in response to our prior audit recommendations.

Our audit scope covered the period May 4, 2007 through July 6, 2009, 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 2007-08 and 2006-07.

### **School Background**

According to School officials, in school year 2007-08 the CPIST provided educational services to 489 secondary pupils and 271 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 is comprised of 5 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 four year term. Lastly, the CPIST received more than \$810 thousand in state funding in school year 2007-08.

### **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; however, as noted below, we identified one compliance-related matter reported as a finding and one matter unrelated to compliance that is reported as an observation.

**Finding: Certification Deficiencies.** Our audit of the CPIST's records found that one teacher possessed lapsed certification and one teacher did not possess a certificate at all (see page 6).

**Observation: Memorandum of Understanding Not Updated Timely.** Our audit of the CPIST's records found that the current Memorandum of Understanding between the CPIST and local law enforcement has not been updated in over two years (see page 8).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the CPIST from an audit we conducted of the 2005-06 and 2004-05 school years, we found the CPIST had taken appropriate corrective action in implementing our recommendations pertaining to Social Security (see page 11) and had not taken appropriate corrective action in implementing our recommendations pertaining to certification (see page 12).



## 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 May 4, 2007 through July 6, 2009, except for the verification of professional employee certification which was performed for the period March 14, 2007 through July 1, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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

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 payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

*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.

- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ Did the School take appropriate corrective action to address recommendations made in our prior audits?
- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 (JOC) 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?

## **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.

*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.

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 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.
- Items such as meeting minutes, and reimbursement applications.

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 21, 2009, we reviewed the CPIST's response to DE dated May 11, 2009. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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*Criteria relevant to the finding:*

Section 1202 of the Public School Code provides:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the Public School Code provides:

. . . has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio. . . .

### Certification Deficiencies

Our 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.

Certification deficiencies are not determined by the Department of the Auditor General. Information pertaining to the certificates in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education, for its review. On August 10, 2009, BSLTQ confirmed the deficiencies, therefore, the Central Pennsylvania Institute of Science and Technology (CPIST) is subject to a subsidy forfeiture of \$3,527 for the 2007-08 school year.

### Recommendations

The *Central PA Institute of Science & Technology* should:

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

The *Department of Education* should:

4. Adjust CPIST's allocations based on BSLTQ's determination.

**Management Response**

Management stated the following:

The certification deficiencies were caused by CPIST personnel failing to apply for renewal of emergency certificates and conversion of an Intern certificate to a Vocational Educational certificate. The CPIST will put procedures in place to verify that all instructors are teaching within their qualifications and that they possess and maintain valid certificates while employed by the school. We have established that all certification will be reviewed by Administration and the Certification Officer in June of each school year.

## Observation



## Memorandum of Understanding Not Updated Timely

*Criteria relevant to the observation:*

*Section 1303-A(c) of the Public School Code provides:*

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU to be used by school entities. Section VI, General Provisions item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

Our review of CPIST's records found that the current Memorandum of Understanding (MOU) between the CPIST and Spring Township Police Department was signed on August 8, 2006 and was not updated until June 19, 2009.

The failure to update MOUs with local law enforcement could result in a lack of cooperation, direction, and guidance between CPIST employees and law enforcement if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from school or school sponsored event. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

District personnel indicated they were not aware the MOUs were required to be reviewed and re-executed within two years of the date of its original execution and every two years thereafter with local law enforcement agency.

## Recommendations

The *Central PA Institute of Science & Technology* should:

1. Continue to review, update and re-execute the current MOU between CPIST and the Spring Township Police Department.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

**Management Response**

Management stated the following:

The Director of Secondary Education was hired January 31, 2008 and was not aware that the agreement needed to be updated. The Director of Secondary Education will meet with Spring Township Police to review the Memorandum of Understanding and to update the Memorandum of Understanding on an annual basis. The Director of Secondary Education will develop a spreadsheet with a yearly calendar to ensure all deadlines are met.





## Status of Prior Audit Findings and Observations

Our prior audit of the Central Pennsylvania Institute of Science and Technology (CPIST) for the school years 2005-06 and 2004-05 resulted in two reported findings. The first finding pertained to Social Security, and the second finding to teacher certification. As part of our current audit, we determined the status of corrective action taken by the CPIST 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 CPIST personnel regarding the prior findings. As shown below, we found that the CPIST did implement recommendations related to Social Security and did not implement recommendations related to teacher certification.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>Finding 1: Overpayments of \$4,754 in Social Security Reimbursement</i></u></p> <ol style="list-style-type: none"> <li>1. Be aware of the proper procedures for correctly completing Social Security reimbursement forms.</li> <li>2. Reconcile total taxable wages for Social Security and Medicare wages reported on the Employer's Quarterly Tax Return.</li> <li>3. Review reports filed for years subsequent to the audit period and, if errors are found, submit revised reports to DE.</li> <li>4. DE should adjust CPIST's allocations to correct the reimbursement overpayments of \$4,754.</li> </ol>	<p><b>Background:</b></p> <p>Our audit of the CPIST Social Security reimbursement records found that reports submitted to DE for the 2005-06 and 2004-05 school years were inaccurate, resulting in reimbursement overpayments of \$4,754.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that CPIST had taken appropriate corrective action with regards to Social Security reimbursement.</p> <p>As of July 6, 2009, DE had not recovered the \$4,754.</p>

<p><u><i>Finding 2: Certification Deficiencies</i></u></p> <ol style="list-style-type: none"><li>1. Put procedures in place to verify that all instructors are teaching within their qualifications and that they possess and maintain valid certificates while employed by CPIST.</li><li>2. DE should adjust CPIST's allocations to recover the subsidy forfeiture of \$3,040.</li></ol>	<p><b>Background:</b></p> <p>Our prior audit of the professional employees' certificates and assignments for the period February 1, 2005 through March 13, 2007, found three individuals were assigned to teaching positions without possessing proper certification.</p>	<p><b>Current Status:</b></p> <p>Our current audit of certification found that the teachers in question had obtained proper certification or were no longer employed by CPIST. However, our current audit also found two certification deficiencies (see finding on page 6).</p> <p>Based on our current review we concluded the CPIST <u>had not</u> taken appropriate corrective action.</p> <p>DE withheld the subsidy forfeiture of \$3,040 in June 2008.</p>
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## **Distribution List**

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This report was initially distributed to the 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:

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The Honorable Robert M. McCord  
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