

DAUPHIN COUNTY TECHNICAL SCHOOL

DAUPHIN COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JANUARY 2012



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

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

Dear Governor Corbett and Mr. Gräb:

We conducted a performance audit of the Dauphin County Technical School (DCTS) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period January 29, 2010 through September 27, 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 DCTS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 20, 2012

cc: **DAUPHIN COUNTY TECHNICAL SCHOOL** 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 Dauphin County Technical School (DCTS). Our audit sought to answer certain questions regarding the DCTS's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the DCTS in response to our prior audit recommendations.

Our audit scope covered the period January 29, 2010 through September 27, 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 DCTS provided educational services to 792 secondary pupils through the employment of 90 teachers, 56 full-time and part-time support personnel, and 10 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises 12 members from the following school districts:

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. Lastly, the DCTS received more than \$1.1 million in state funding in school year 2009-10

### **Audit Conclusion and Results**

Our audit found that the DCTS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings.

#### **Finding No. 1: Certification Deficiency.**

Our audit of professional employee's certification found one individual taught without proper certification for part of the 2010-11 school year (see page 6).

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

Our audit of child accounting data found that the residency classification for nonresident children placed in private homes was not accurately reported and that the internal child accounting reports did not agree with the data reported to the Department of Education for the 2009-10 school year (see page 8).

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

With regard to the status of our prior audit recommendations to the DCTS from an audit we conducted of the 2007-08 and 2006-07 school years, we found the DCTS had not taken appropriate

corrective action in implementing our recommendation pertaining to a certification deficiency (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 January 29, 2010 through September 27, 2011, except for the verification of professional employee certification which was performed for the period January 27, 2010 through June 30, 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 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 DCTS's compliance with applicable state laws, 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?
- ✓ 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

*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, 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 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.

DCTS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the School is in compliance with applicable laws, 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 area of comparative financial information.

Our audit examined the following:

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

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 21, 2011, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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*Criteria relevant to the finding:*

Section 1202 of the Public School Code provides, in part:

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, in part:

Any school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that 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 Deficiency

Our audit of professional employees' certification for the period January 27, 2010 through June 30, 2011, found one individual taught without the appropriate certification.

This individual was assigned to teach driver/safety education for the 2010-11 school year without the proper Driver/Safety Education Certificate, as required by the Department of Education's (DE) Certification and Staffing Policy Guideline #38. The individual did not obtain proper certification until April of 2011.

Information pertaining to the deficiency was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), DE, for its review. BSLTQ subsequently confirmed the deficiency; therefore, the Dauphin County Technical School (DCTS) is subject to a subsidy forfeiture of \$314 for the 2010-11 school year.

### Recommendations

The *Dauphin County Technical School* should:

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

The *Department of Education* should:

Adjust the School's allocations to recover the \$314 subsidy forfeiture.

**Management Response**

Management stated the following:

The teacher initially took the incorrect PRAXIS exam. However, when the proper exam was available, the teacher took it and passed.

**Finding No. 2**

**Inadequate Internal Controls Resulted in Unverifiable Subsidy Reimbursement**

*Criteria relevant to the finding:*

Section 1305 of the Public School Code provides, in part:

When a non-resident child is placed in the home of a resident of any school district by order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, such resident being compensated for keeping the child, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children of the district. . . .

Section 2503(c) of the Public School Code provides:

Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section one thousand three hundred five or section one thousand three hundred six of the act to which this is an amendment, shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil, as the case may be, as defined in section two thousand five hundred sixty-one of the act to which this is an amendment, for each pupil so accepted. In the case of pupils attending the district's public schools for less than a full school term, the tuition charges shall be prorated by reference to the period of time over which such pupil actually attended the district schools.

Our audit of child accounting data at the DCTS found that the data for nonresident children placed in private homes was reported as resident membership to DE and that the DCTS's internal child accounting reports did not agree with the data reported to DE for the 2009-10 school year. These errors led to possible subsidy errors at the sending districts, and in our inability to verify the school's entitlement to \$472,297 in vocational education subsidy paid to DCTS for 2009-10 school year operations.

Properly identifying a student's residency classification is crucial in ensuring accurate reporting of child accounting data to DE. With the implementation of DE's Pennsylvania Information Management System (PIMS) for the 2009-10 school year, all area vocational-technical schools are responsible for directly reporting their own child accounting data. Inaccurate reporting of child accounting data can result in the sending districts and DCTS receiving incorrect subsidy from the state.

DCTS personnel acknowledged that they are educating nonresident children placed in private homes, that they had reported the membership as resident membership, and that they had not obtained agency placement letters for most of these students. As a result, they were unable to identify the names of these students, which resulted in our inability to verify and quantify any residency classification errors that may have occurred.

We identified several contributing factors during our audit:

1. The individual responsible for student registration has not received formal child accounting training and is not familiar with nonresident identification or proper classification and coding of nonresident pupils.
2. Sending districts historically have not been cooperative with DCTS's requests for documentation. DCTS personnel noted that when they do get cooperation, it can be several weeks or months until they receive a reply, and often the documentation requested is incomplete or inaccurate.

*Criteria relevant to the finding:*

Section 1357 of the Public School Code provides:

The [Secretary of Education] upon due hearing, after two (2) weeks' written notice to the board of school directors affected, may withhold and declare forfeited any part, or all, of the State appropriation of any school district which refuses or neglects to comply with and to enforce the provisions of this article in the manner satisfactory to him.

3. DCTS does not maintain a child accounting manual that describes, in detail, all steps of recording, processing and reporting child accounting data.
4. School personnel received a confusing email from DE which they interpreted to require nonresident pupils placed in private students to be reported as residents.

While the misclassification of children placed in private homes does not affect the reimbursement at DCTS, it does affect the reimbursement at the home districts of the affected students.

We also noted DCTS was unable to provide an end-of-year report from its child accounting software that agreed with the final Instructional Time and Membership Report (ITMR) in PIMS. School personnel noted that several changes were made after the initial upload to PIMS, but that they had not performed an end-of-year reconciliation.

Since school personnel did not reconcile child accounting data, they failed to notice that the child accounting software report exceeded the PIMS ITMR by 408 days for the 2009-10 school year. Because they could not reconcile these differences, we were unable to verify the accuracy of the membership days reported to DE, and we could not verify DCTS's entitlement to the \$472,297 of vocational education subsidy that it received for the 2009-10 school year operations.

## **Recommendations**

The *Dauphin County Technical School* should:

1. Provide training to all individuals involved with child accounting and the reporting of child accounting data to DE.
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 DCTS 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 DE.

4. Contact DE 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 PIMS, and retain all files and reports for audit purposes.
6. Develop procedures to identify all nonresident 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 DE.

The *Department of Education* should:

9. Review the propriety of subsidy and reimbursements paid to DCTS.

## **Management Response**

Management stated the following:

1. The individual responsible for registration has not received formal child accounting training and therefore is not familiar with nonresident identification or how to properly classify, and code non-resident pupils.

The guidance Secretary will be sent to ACAPA [Attendance/Child Accounting Professional Association] Conference and formally trained.

2. Sending districts historically have not been cooperative with DCTS requests for documentation. DCTS personnel noted that when they do get cooperation, it can be several weeks or months until they receive a reply, and most of the time the documentation requested is incomplete or inaccurate.



DCTS Director has spoken to superintendents in the consortium to press the importance to accurate child accounting records.

3. DCTS does not maintain a Child Accounting Manual that describes in detail, all steps of recording, processing and reporting child accounting data.

A manual will be developed during the 2011-12 school year.

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

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Our prior audit of the Dauphin County Technical School (DCTS) for the school years 2007-08 and 2006-07 resulted in one reported finding. The finding pertained to certification. As part of our current audit, we determined the status of corrective action taken by the DCTS to implement our prior recommendation. We performed audit procedures and questioned District personnel regarding the prior finding. As shown below, we found that the DCTS did not implement our recommendation related to certification.

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

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**Finding:**                      **Certification Deficiency**

Finding Summary:        Our prior audit found that one individual was employed as a long-term substitute without certification for three of nine months, resulting in a total subsidy forfeiture of \$1,188.

Recommendations:      Our audit finding recommended that the DCTS:

Ensure that all professional employees have valid certificates at time of hire.

We also recommended that the Department of Education (DE):

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

Current Status:            Our current audit found that the DCTS did not implement the recommendation (see page 6).

DE recovered the subsidy forfeiture in June of 2011.

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## **Distribution List**

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This report was initially distributed to the technical schools 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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