

ERIE COUNTY TECHNICAL SCHOOL  
ERIE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

APRIL 2011



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

Mr. James Bucksbee,  
Joint Operating Committee Chairperson  
Erie County Technical School  
8500 Oliver Road  
Erie, Pennsylvania 16509

Dear Governor Corbett and Mr. Bucksbee:

We conducted a performance audit of the Erie County Technical School (ECTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 22, 2009 through November 10, 2010, 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 ECTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

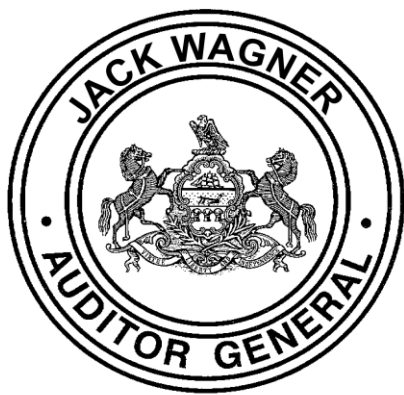
Sincerely,

/s/

JACK WAGNER  
Auditor General

April 13, 2011

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

Our audit scope covered the period April 22, 2009 through November 10, 2010, 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 ECTS provided basic educational services to 735 secondary pupils through the employment of 29 teachers, 29 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 is comprised of 11 members from the following school districts:

Fairview	Iroquois
Fort LeBoeuf	Millcreek Township
General McLane	North East
Girard	Northwestern
Harbor Creek	Union City Area
Wattsburg Area	

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the ECTS received more than \$792,000 in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the ECTS 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 ECTS, we found the ECTS had taken appropriate corrective action in implementing our recommendations pertaining to information technology (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 April 22, 2009 through November 10, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2008-09 and 2009-10.

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 ECTS'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.

ECTS 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.

*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.

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, student activity funds, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 8, 2009 we reviewed the ECTS's response to DE dated December 15, 2009. 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 Erie County Technical School resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Erie County Technical School (ECTS) for the school years 2007-08 and 2006-07 resulted in one reported observation pertaining to information technology. As part of our current audit, we determined the status of corrective action taken by the ECTS to implement our prior recommendations. We analyzed the ECTS Joint Operating Committee's written response provided to the Department of Education, performed audit procedures, and questioned ECTS personnel regarding the prior observation. As shown below, we found that the ECTS did implement recommendations related to the observation.

<i>School Years 2007-08 and 2006-07 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u>I. Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></p> <ol style="list-style-type: none"> <li>1. Execute a non-disclosure agreement with their membership software vendor.</li> <li>2. Revise the School's information technology (IT) security policy to address syntax requirements for passwords.</li> <li>3. Require School employees and students to sign that they agree to abide by the IT security policy.</li> <li>4. Require vendor employees to sign that they agree to abide by the IT security policy.</li> <li>5. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.</li> <li>6. Require users to change their passwords every 30 days.</li> <li>7. Ensure that the School's technology manager produces written documentation of the review</li> </ol>	<p><b>Background:</b></p> <p>The ECTS uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the School's network servers.</p> <p>During our prior audit we determined that a risk existed that unauthorized changes to the School's data could occur and not be detected because the School was not able to provide supporting evidence that it was adequately monitoring vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>During the current audit we followed up on the weaknesses and found ECTS took the appropriate corrective action to correct 8 of 9 recommendations. The ECTS requires their users to change their passwords every 70 days, not every 30 days.</p> <p>Furthermore, we found that the prior vendor no longer provides service to the ECTS and the current vendor has no remote access.</p> <p>Based on our current audit, we determined that the ECTS did take corrective action to address our prior audit recommendations.</p>

<p>of the log of vendor activity in the system.</p> <p>8. Ensure that there is a formal complete list of personnel who have access to the physical location of the server.</p> <p>9. Ensure that there are formal written procedures regarding membership data reconciliation procedures.</p>		
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## **Distribution List**

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This report was initially distributed to the technical school's 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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The Honorable Ronald J. Tomalis  
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