

LEHIGH CAREER AND TECHNICAL INSTITUTE
LEHIGH COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2011

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

Mr. David M. Kennedy
Joint Operating Committee Chairperson
Lehigh Career and Technical Institute
4500 Education Park Drive
Schnecksville, Pennsylvania 18078

Dear Governor Corbett and Mr. Kennedy:

We conducted a performance audit of the Lehigh Career and Technical Institute (LCTI) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 30, 2009 through March 18, 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 LCTI complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 15, 2011

cc: **LEHIGH CAREER AND TECHNICAL INSTITUTE** Joint Operating Committee
Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Lehigh Career and Technical Institute (LCTI). 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 LCTI in response to our prior audit recommendations.

Our audit scope covered the period April 30, 2009 through March 18, 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 LCTI provided educational services to 2,751 secondary pupils and 1,248 post-secondary pupils through the employment of 105 teachers, 219 full-time and part-time support personnel, and 13 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 21 members from the following school districts:

Allentown City
Catasauqua Area
East Penn
Northern Lehigh

Northwestern Lehigh
Parkland
Salisbury Township
Southern Lehigh
Whitehall-Coplay

The JOC members are appointed by the individual school boards at the December meeting, each to serve a two-year term. Lastly, the LCTI received more than \$3.5 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the LCTI 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 LCTI from an audit we conducted of the 2007-08 and 2006-07 school years, we found the LCTI had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (see page 7).



Audit Scope, Objectives, and Methodology

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 30, 2009 through March 18, 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 LCTI'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?
- ✓ 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

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.

LCTI's 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, 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 LCTI's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 3, 2009. We reviewed the LCTI's response to DE. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Lehigh Career and Technical Institute resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Lehigh Career and Technical Institute (LCTI) for the school years 2007-08 and 2006-07 resulted in one reported observation. The observation pertained to unmonitored vendor system access and logical access control weaknesses. As part of our current audit, we determined the status of corrective action taken by the LCTI to implement our prior recommendations. We analyzed the LCTI Executive Director's written response provided to the Department of Education (DE), performed audit procedures, and questioned LCTI personnel regarding the prior observation. As shown below, we found that the LCTI did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

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

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

Observation
Summary:

The LCTI uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The vendor has remote access into the LCTI's network servers. It was determined that a risk exists that unauthorized changes to the LCTI's data could occur and not be detected because the LCTI was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system.

Recommendations:

Our audit observation recommended that the LCTI:

1. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the LCTI should require the vendor to sign the LCTI's Acceptable Use Policy.
2. 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).
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the LCTI system. Further, the LCTI should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
4. Generate monitoring reports (including firewall logs) of vendor and employee access and activity on their system. Monitoring reports

should include the date, time and reason for access, change(s) made and who made the change(s). The LCTI should review these reports to determine that the access was appropriate and that data was not improperly altered.

Current Status:

During our current audit procedures, we found that the LCTI did implement our recommendations.

Distribution List

This report was initially distributed to the career and technical institute superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Tom Corbett
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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.

