

MIFFLIN-JUNIATA CAREER AND TECHNOLOGY CENTER

MIFFLIN COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

SEPTEMBER 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Randy Dressler, Joint Operating Committee Chairperson
Mifflin-Juniata Career and Technology Center
700 Pitt Street
Lewistown, Pennsylvania 17044

Dear Governor Rendell and Mr. Dressler:

We conducted a performance audit of the Mifflin-Juniata Career and Technology Center (MJCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 9, 2007 through December 4, 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 MJCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

September 20, 2010

cc: **MIFFLIN-JUNIATA CAREER AND TECHNOLOGY CENTER** 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 Mifflin-Juniata Career and Technology Center (MJCTC). Our audit sought to answer certain questions regarding the MJCTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the MJCTC in response to our prior audit recommendations.

Our audit scope covered the period March 9, 2007 through December 4, 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 MJCTC provided educational services to 371 secondary pupils and 78 post-secondary pupils through the employment of 17 teachers, 3 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 six members from the Mifflin County and Juniata County school districts.

The JOC members, four members from Mifflin County School District and two members from Juniata County School District, are appointed by the individual

school boards at the December meeting, each to serve a one year term.

Lastly, the MJCTC received more than \$456 thousand in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the MJCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

Finding: Internal Control Weaknesses Regarding Memorandum of Understanding

Our audit of the MJCTC's records found that the Memorandum of Understanding between the MJCTC and its local law enforcement agency was last signed in May 2007 (see page 6).

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the MJCTC from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the MJCTC had taken appropriate corrective action in implementing our recommendations pertaining to the Social Security and Medicare tax reimbursement (see page 7), and had partially taken appropriate corrective action pertaining to the JOC treasurer and secretary (see page 8) and the Memorandum of Understanding (see page 8).



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 March 9, 2007 through December 4, 2009, except for the verification of professional employee certification which was performed for the period March 1, 2007 through November 16, 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

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 MJCTC'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?
- ✓ 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 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.

MJCTC 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.

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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 7, 2007, we reviewed the MJCTC's response to DE dated June 10, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Internal Control Weaknesses Regarding Memorandum of Understanding

Criteria relevant to the finding:

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

All school entities shall develop a memorandum of understanding with local law enforcement agencies which 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.

The MOU with the local law enforcement agency at section VI, item B 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 audit of the Mifflin-Juniata Career and Technology Center's (MJCTC) records found that the Memorandum of Understanding (MOU) between the MJCTC and its local law enforcement agency was last signed May 17, 2007. The MJCTC's administration was aware of the two year requirement to review and re-execute MOU; however, due to oversight, failed to re-execute the MOU signed May 17, 2007. Management further noted the MOU was to be addressed at the December 2009 joint operating committee meeting.

The failure to review and re-execute the MOU every two years in accordance with the May 17, 2007, MOU is an internal control weakness that could result in a lack of cooperation, direction and guidance between School employees and the local law enforcement agency if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the reduction of a problem situation.

Recommendations

The *Mifflin-Juniata Career and Technology Center* should:

1. Follow the General Provisions of the MJCTC's MOU (Section VI, item B) and review and re-execute the MOU every two years.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years as stated in the current MOU.

Management Response

Management stated the following:

Although management agreed with this finding, the Memorandum of Understanding is scheduled to be addressed at the December 2009 meeting of the JOC [joint operating committee].

Status of Prior Audit Findings and Observations

Our prior audit of the Mifflin-Juniata Career and Technology Center (MJCTC) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in two reported findings and one observation. The first finding pertained to Social Security and Medicare tax reimbursement, the second finding pertained to offices of the joint operating committee, and the observation pertained to the Memorandum of Understanding (MOU). As part of our current audit, we determined the status of corrective action taken by the MJCTC to implement our prior recommendations. We analyzed the MJCTC Joint Operating Committee's (JOC) written response provided to the Department of Education (DE), performed audit procedures, and questioned MJCTC personnel regarding the prior findings and observation. As shown below, we found that the MJCTC did implement recommendations related to Social Security and Medicare tax reimbursement, and partially implemented our recommendations related to offices of the JOC and the Memorandum of Understanding.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1: Social Security and Medicare Tax Reimbursement Net Underpayment of \$8,113</i></u></p> <ol style="list-style-type: none"> 1. Reconcile total wages subject to Social Security and Medicare taxes reported to DE for reimbursement with those reported to the federal government on the Federal Form 941 to ensure agreement. 2. Review reports submitted subsequent to our current audit period and, if errors are noted, submit revised reports to DE. 3. DE should adjust the School's allocations to resolve the net underpayment of \$8,113. 	<p>Background:</p> <p>Our prior audit found that Social Security and Medicare wages for the 2005-06, 2004-05, 2003-04 and 2002-03 school years were incorrectly reported to DE, resulting in a net underpayment of \$8,113.</p>	<p>Current Status:</p> <p>Our current audit found that the MJCTC implemented a procedure during the 2006-07 school year to reconcile total wages subject to Social Security and Medicare taxes with those reported to the Federal Government on the Federal Form 941, to ensure agreement.</p> <p>DE adjusted the School's allocations to resolve the net underpayment of \$8,113 on April 2, 2009.</p>

<p><u>II. Finding No. 2: Offices of Joint Operating Committee Treasurer and Secretary Were Assigned to the Same Individual in Violation of the Articles of Agreement</u></p> <ol style="list-style-type: none"> 1. The business manager should resign the offices of treasurer and secretary. 2. The JOC should elect from its membership a treasurer and secretary, in accordance with its own Articles of Agreement. 3. The JOC should revise the job description of business manager and eliminate the provision relating to appointment as treasurer. 4. The JOC should ensure that only one individual holds an office of the JOC at any one time. 	<p>Background:</p> <p>Our prior audit of the JOC organization found that the MJCTC’s business manager was serving as both the JOC’s treasurer and secretary. The job description for the position of business manager includes the duty of serving as the JOC treasurer. In addition, on June 13, 2006, as a result of the resignation of the JOC secretary, the JOC voted to elect the current business manager to fill the position of secretary, while he was already serving as the treasurer.</p> <p>However, the school’s Articles of Agreement, in Article III, provide:</p> <p style="padding-left: 40px;">Officers of the Joint Operating Committee shall be Chairperson, Vice-Chairperson, Secretary and Treasurer. The Joint Operating Committee shall elect these officers and each Participating School District shall be represented among these officers.</p>	<p>Current Status:</p> <p>Our current audit found that the business manager resigned the office of secretary in June 2008, but retained the office of treasurer.</p> <p>The JOC did not elect from its membership a treasurer and secretary in accordance with its own Articles of Agreement. Currently the business manager serves as treasurer and the assistant administrative director serves as the secretary.</p> <p>The JOC did not revise the job description of the business manager to eliminate the provision relating to appointment as treasurer.</p> <p>The JOC did ensure that only one individual holds an office of the JOC at any one time.</p> <p>The current Articles of Agreement still require the treasurer and secretary to be elected from the JOC; we therefore again recommend that the JOC either elect from its membership a treasurer and secretary, or revise its Articles of Agreement to reflect that nonmembers can be appointed as treasurer and secretary.</p>
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<p><u>III. Observation: Internal Control Weaknesses Regarding School Violence Memorandum of Understanding</u></p> <ol style="list-style-type: none"> 1. Review, update and re-execute the current MOU between the MJCTC and the local law enforcement agency. 	<p>Background:</p> <p>Our prior audit of the MJCTC’s records found that the current MOU between the MJCTC and the local law enforcement agency was signed May 29, 1999, and had never been updated.</p>	<p>Current Status:</p> <p>Our current audit found that the JOC did review, update and re-execute the MOU between the MJCTC and the local law enforcement agency on May 17, 2007.</p> <p>However, the MOU was not subsequently updated in accordance with the MOU. In addition, the JOC did not</p>
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<p>2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.</p>		<p>adopt a policy requiring the administration to review and re-execute the MOU every two years. Both issues are addressed in the finding of this report (see page 6).</p>
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Distribution List

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

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