

NORTHUMBERLAND COUNTY CAREER & TECHNOLOGY CENTER

NORTHUMBERLAND COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

DECEMBER 2012



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

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

Mr. Ronald McElwee, Chairperson
Northumberland County Career &
Technology Center
1700 West Montgomery Street
Coal Township, Pennsylvania 17866

Dear Governor Corbett and Mr. McElwee:

We conducted a performance audit of the Northumberland County Career & Technology Center (NCCTC) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period April 20, 2009 through April 19, 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 NCCTC complied, in all significant respects, with applicable state laws, 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 NCCTC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve NCCTC's operations and facilitate compliance with legal and administrative requirements. We appreciate the NCCTC's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 20, 2012

cc: **NORTHUMBERLAND COUNTY CAREER & TECHNOLOGY CENTER** Joint Operating
Committee Members

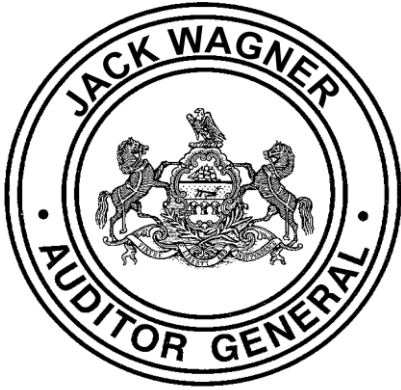


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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Northumberland County Career & Technology Center (NCCTC). Our audit sought to answer certain questions regarding the AVTS's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the NCCTC in response to our prior audit recommendations.

Our audit scope covered the period April 20, 2009 through April 19, 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 NCCTC provided educational services to 349 secondary pupils and 0 post-secondary pupils through the employment of 13 teachers, 5 full-time and part-time support personnel, and 2 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 7 members from the following school districts:

Mount Carmel Area
Shamokin Area
Line Mountain

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three-year term. Lastly, the NCCTC received \$325,457 in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the NCCTC complied, in all significant respects, with applicable state laws, 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: The Joint Operating Committee Failed to Have a Signed Employment Contract with the Vocational Director, Leading to a Questionable Arrangement that Resulted in a Payment Totaling \$15,603. On November 8, 2010, the joint operating committee of the NCCTC entered into a General Release agreement effective November 10, 2010, resulting in participating districts paying for services that were not provided in the amount of \$15,603 (see page 6).

Observation: Continued Unmonitored Intermediate Unit System Access and Logical Access Control Weaknesses. Our follow-up review of internal controls over the intermediate unit (IU) access into the NCCTC's child accounting system found four continuing weaknesses as of March 25, 2011 (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the NCCTC from an audit we conducted of the 2006-07 and 2007-08 school years, we found the NCCTC had taken appropriate corrective action in implementing our recommendations pertaining to our finding regarding the NCCTC lacking a Memorandum of Understanding. We also found that the NCCTC had only taken

appropriate action in implementing 7 out of the 11 recommendations pertaining to our observation regarding unmonitored IU system access. See the current observation for the remaining four weaknesses (see page 10).

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 20, 2009 through April 19, 2011, except for:

- The verification of professional employee certification which was performed for the period July 1, 2010 through March 24, 2011.
- The follow-up review of the intermediate unit access to the School's student accounting applications which was completed on March 25, 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 Pennsylvania 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

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 NCCTC'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?

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.

- ✓ Are there any declining fund balances that may impose risk to the School's fiscal viability?
- ✓ Did the School pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does the current employment contract(s) contain adequate termination provisions?
- ✓ Is the School taking appropriate steps to ensure school safety?
- ✓ Did the School have a properly executed and updated Memorandum of Understanding with local law enforcement?

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 finding, observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding, observation and conclusions based on our audit objectives.

NCCTC 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. Additionally, we gained a high-level understanding of the School's information technology (IT) environment and evaluated whether internal controls specific to IT were present.

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 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.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 17, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

The Joint Operating Committee Failed to Have a Signed Employment Contract with the Vocational Director, Leading to a Questionable Arrangement that Resulted in a Payment Totaling \$15,603

Vocational Director Questionable Arrangement

The taxpayers have the right to be informed of an early termination of a director, the reason for the termination and the financial effect the agreement has on the participating districts. If this information is public, then the taxpayers can consider such information when determining if the board members have done what is best for them and the LEA.

On November 8, 2010, the joint operating committee (JOC) of the Northumberland County Career and Technology Center (NCCTC) entered into a General Release agreement with the former vocational director effective November 10, 2010, resulting in participating districts paying \$15,603 to the former vocational director.

The NCCTC JOC agreed to pay the former vocational director \$15,603 in a lump sum which amounted to three months salary in exchange for the individual resigning from the position.

According to the general release document, the former director and JOC agreed to this amount and that the former director would not bring a legal suit against the school if the former director was paid the \$15,603.

The administration and board failed to provide a contract for the former director. They also failed to state reasons why the former director would be able to file a suit against the school.

This questionable arrangement may have been averted, or the costs significantly reduced, if the NCCTC had an employment contract with the director regarding the compensation and benefits payable upon the premature termination of the contract. The time to negotiate those terms is at the outset of the employment relationship, not when matters turn potentially hostile between the parties.

Furthermore, if the director was not doing an adequate job and there was no contract, the JOC should have been able to remove the individual for just cause without paying a lump sum.

Recommendations

The *Northumberland County Career & Technology Center* should:

1. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the NCCTC and participating districts in the event that the employment ends prematurely for any reason.
2. Ensure that all future contracts address reasons that the individual may be removed for just cause without compensation.
3. Provide as much information as possible to the taxpayers of the participating districts explaining the reasons for the termination of the vocational director and justifying the School's expenditure of public funds to satisfy the terms of the general release.

Management Response

Management stated the following:

1. We agreed Act 93 [administrator compensation plan] would cover the idea of a contract. We must develop an Act 93 agreement.
2. Agreed to spell out the Act 93 agreement in the evaluation process. Follow due process of the school code.
3. Act 93 will address the school code.
4. NCCTC JOC felt it was in their best interest both cost efficiently and effectiveness of the operation of the NCCTC to buy out the contract of the former director rather than go through the due process proceedings.

Auditor Conclusion

NCCTC JOC should consult with their legal counsel to determine what type of contract agreement would be most beneficial to the School so that if this situation was to occur again in the future, the School would be in a better position to address the situation. While #4 in the management response states there was a contract, this statement was made in error by management since no contract existed.

Observation →

Continued Unmonitored Intermediate Unit System Access and Logical Access Control Weaknesses

What is logical access control?

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

The Northumberland County Career & Technology Center (NCCTC) continues to use software purchased from the Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance). The CSIU continues to have remote access into the NCCTC’s network servers.

During our prior audit, we found that the NCCTC had 11 weaknesses dealing with CSIU’s access into the NCCTC’s system. Based on our current year procedures, we determined that a risk still exists whereas unauthorized changes to the NCCTC’s data could occur and not be detected. This stems from the NCCTC’s inability to provide supporting evidence that they are adequately monitoring all CSIU activity in their system. However, since the NCCTC still has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. Membership reconciliations are performed between manual records and reports generated from the Student Accounting System.

Reliance on manual compensating controls becomes increasingly problematic if the NCCTC would ever move into an entirely paperless future with decentralized direct entry of data into their systems. Continued unmonitored CSIU system access and logical access control weaknesses could lead to unauthorized changes to the NCCTC’s membership information and result in the NCCTC not receiving the funds to which it was entitled from the state.

During our current follow-up review, we found the NCCTC had the following four continued weaknesses over CSIU access to the NCCTC’s system:

1. The NCCTC’s Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).

2. The NCCTC does not have current information technology (IT) policies and procedures for controlling the activities of the CSIU, nor does it require the CSIU to sign the NCCTC's Acceptable Use Policy.
3. The NCCTC does not require written authorization before adding, deleting or changing a userID.
4. The NCCTC does not have formal policies in place to control emergency changes to systems or programs.

Recommendations

The *Northumberland County Career & Technology Center* should:

1. Include in its Acceptable Use Policy provisions for authentication (password and syntax requirements).
2. Establish separate IT policies and procedures for controlling the activities of the CSIU and have the CSIU sign this policy, or require the CSIU to sign the NCCTC's Acceptable Use Policy.
3. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.
4. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.

Management Response

Management stated the following:

The NCCTC will become more diligent in our IT services with CSIU 16. A "paper trail" will be initiated to record additional deletions of staff/students. NCCTC will make changes to address recommendations made by the Department of the Auditor General.

Status of Prior Audit Findings and Observations

Our prior audit of the Northumberland County Career & Technology Center (NCCTC) for the school years 2007-08 and 2006-07 resulted in one reported finding and one reported observation. The finding pertained to the NCCTC's lack of a Memorandum of Understanding (MOU) with local law enforcement and the observation pertained to unmonitored intermediate unit access into the NCCTC's child accounting system. As part of our current audit, we determined the status of corrective action taken by the NCCTC to implement our prior recommendations. We performed audit procedures, and questioned NCCTC personnel regarding the prior finding and observation. As shown below, we found that the NCCTC did implement recommendations related to the finding and did not implement all recommendations related to the observation.

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

Finding: Lack of Memorandum of Understanding

Finding Summary: Our prior audit of the NCCTC found that the School did not have a signed MOU between itself and the appropriate local police department available for audit.

Recommendations: Our audit finding recommended that the NCCTC:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the NCCTC and the local police department.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status: On April 16, 2009, before completion of our prior audit, NCCTC personnel and personnel of the appropriate local police department executed and signed a MOU. During our current audit, NCCTC personnel and personnel from the local police department executed and updated this MOU on April 13, 2011, thereby complying with our recommendations.

Observation: Unmonitored Intermediate Unit System Access and Logical Access Control Weaknesses

Observation Summary: Our prior audit found that the NCCTC used software purchased from the CSIU # 16 (CSIU) for its critical student accounting applications (membership and attendance). The NCCTC has remote access onto the CSIU's network servers, since the server is housed at CSIU.

Recommendations: Our audit observation recommended that the NCCTC:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Ensure that the contract with the CSIU contains a non-disclosure agreement for the NCCTC's proprietary information.
3. Ensure that NCCTC's Acceptable Use Policy includes provisions for authentication (password security and syntax requirements).
4. Establish separate information technology policies and procedures for controlling the activities of CSIU and have the CSIU sign this policy, and the NCCTC should require the CSIU to sign the NCCTC's Acceptable Use Policy.
5. Develop policies and procedures to require written authorization when adding, deleting, or changing a userID.
6. Maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner.
7. Allow access only to their system when the CSIU needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the CSIU has completed its work. This procedure would also enable the monitoring of CSIU changes.
8. Generate monitoring reports (including firewall logs) of CSIU 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 NCCTC should review these reports to determine that the access was appropriate and that data was not improperly altered. The NCCTC should also ensure it is maintaining evidence to support this monitoring and review.
9. Make the upgrades/updates to the NCCTC's system only after receipt of written authorization from appropriate NCCTC officials.
10. Establish a process for defining, raising, testing, documenting, assessing and authorizing emergency changes to systems or programs that do not follow the established change process.
11. Establish policies and procedures to analyze the impact of proposed program changes in relation to other business-critical functions.

Current Status: During our current audit procedures, we found that the NCCTC did not implement all of our recommendations. The NCCTC implemented 7 out of our 11 recommendations. Four weaknesses remain and are included in our follow-up observation found in this report.

Distribution List

This report was initially distributed to the career and technology center 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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Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Ronald J. Tomalis
Secretary of Education
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