

NORTHUMBERLAND COUNTY CAREER AND TECHNOLOGY CENTER

NORTHUMBERLAND COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

AUGUST 2009



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

Ms. Rose Marquardt, Joint Operating Committee Chairperson  
Northumberland County Career and Technology Center  
1700 West Montgomery Street #2000  
Coal Township, Pennsylvania 17866

Dear Governor Rendell and Ms. Marquardt:

We conducted a performance audit of the Northumberland County Career and Technology Center (NCCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period March 23, 2007 through April 20, 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, as they were the most recent reimbursements subject to audit. 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, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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

August 17, 2009

cc: **NORTHUMBERLAND COUNTY CAREER AND TECHNOLOGY CENTER** 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 Northumberland County Career and Technology Center (NCCTC). Our audit sought to answer certain questions regarding the NCCTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period March 23, 2007 through April 20, 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 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

### **School Background**

According to School officials, in school year 2007-08 the NCCTC provided educational services to 316 pupils through the employment of 12 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 seven 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 more than \$303,000 in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the NCCTC complied, in all significant respects, with applicable state laws, regulations, 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: Lack of Memorandum of Understanding.** Our audit of the NCCTC's records found that NCCTC did not have a signed Memorandum of Understanding available for audit. We made several recommendations to improve this process (see page 6).

**Observation: Unmonitored IU System Access and Logical Access Control Weaknesses.** We noted that NCCTC personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over outside vendor access to the student accounting applications (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 2004-05 and 2005-06 school years, we found the LCCTC had no prior findings or observations (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 March 23, 2007 through April 20, 2009, except for the verification of professional employee certification which was performed for the period March 9, 2007 through April 15, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 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

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 NCCTC'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?

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the School?
- ✓ Did the Technology Center 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 Technology Center taking appropriate steps to ensure school safety?
- ✓ Does the Technology Center 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 Technology Center?
- ✓ Did the Technology Center 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 Technology Center taking appropriate steps to ensure school safety?
- ✓ Did the Technology Center 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 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, 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:

- Professional employee certification and financial stability.
- Items such as meeting minutes.

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

## Findings and Observations

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### Finding

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Criteria relevant to the finding:

Section 1303-A(c) provides:

All school entities shall develop a memorandum of understanding with local law enforcement that 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. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, contains a sample MOU format to be used by school entities. Section VI, General Provisions item (B) of this sample 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).

### Lack of Memorandum of Understanding

Our audit of the Northumberland County Career & Technology Center (NCCTC) found that the School did not have a signed Memorandum of Understanding (MOU) available for audit.

The failure to obtain the MOU with the local police force, Coal Township Police Department, could result in a lack of cooperation, direction, and guidance between NCCTC employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Administrative personnel were unaware of Section 1303-A(c) of the Public School Code which states the need for all school entities to develop a MOU with local law enforcement.

On April 16, 2009, during our audit, NCCTC personnel and personnel of the Coal Township Police Department executed and signed a MOU.

### Recommendations

The *Northumberland County Career & Technology Center* should:

1. In consultation with the solicitor, continue to review, update and re-execute the current MOU between the NCCTC and the Coal Township Police Department.

2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

**Management Response**

Management stated the following:

While the CTC (LEA) realizes an excellent rapport with local law enforcement agency (Coal Township Police), no formal M O U could be found at school from previous Administration. A Memorandum of Understanding will be formulated, signed and kept on file at NCCTC.

**Observation**

*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.

**Unmonitored IU System Access and Logical Access Control Weaknesses**

The NCCTC uses software purchased from the Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance). The NCCTC has remote access into the CSIU’s network servers, since the server is housed at CSIU.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the NCCTC’s data could occur and not be detected because the NCCTC was unable to provide supporting evidence that they are adequately monitoring all CSIU activity in their system. However, since the NCCTC 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. 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 review, we found the NCCTC had the following weaknesses over CSIU access to the NCCTC’s system:

1. The NCCTC does not have a fully executed maintenance agreement on file.
2. The contract with the CSIU did not contain a non-disclosure agreement for the NCCTC’s proprietary information.

3. The NCCTC's Acceptable Use Policy does not include provisions for authentication (password security and syntax requirements).
4. The NCCTC does not have current information technology (IT) policies and procedures for controlling the activities of CSIU nor does it require the CSIU to sign the NCCTC's Acceptable Use Policy.
5. The NCCTC does not require written authorization before adding, deleting, or changing a userID.
6. The NCCTC does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner.
7. The CSIU has unlimited access (24 hours a day/7 days a week) into the NCCTC's system.
8. The NCCTC does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including CSIU and NCCTC employees). There is no evidence to support that the NCCTC is performing any procedures in order to determine which data the CSIU may have altered or which CSIU employees accessed their system.
9. The NCCTC does not require written authorization prior to the updating/upgrading of key applications or changing user data.
10. The NCCTC does not have formal policies in place to control emergency changes to systems or programs.
11. The NCCTC does not have current policies or procedures in place to analyze the impact of proposed program changes in relation to other business-critical functions.

## Recommendations

The *Northumberland County Career & Technology Center* should:

1. Keep a copy of the fully executed, signed by both parties, maintenance agreement on file.
2. Ensure that 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 IT 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. Only allow access 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 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.

**Management Response**

Management stated the following:

The Northumberland County CTC will work to correct the eleven areas as noted in the IU System Access and Logical Access Control. The Administration will examine existing contract and make necessary corrections to reflect recommended changes as noted by Department of the Auditor General.

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

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**O**ur prior audit of the Northumberland County Career and Technology Center for the school years 2005-06 and 2004-05 resulted in no findings or observations.

## **Distribution List**

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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](http://www.auditorgen.state.pa.us), and the following:

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