

VENANGO TECHNOLOGY CENTER
VENANGO COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2011

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

Mr. Dwight Proper
Joint Operating Committee Chairperson
Venango Technology Center
One Vo-Tech Drive
Oil City, Pennsylvania 16301

Dear Governor Corbett and Mr. Proper:

We conducted a performance audit of the Venango Technology Center (VTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 29, 2009 through December 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 VTC 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 these results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with VTC's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve VTC's operations and facilitate compliance with legal and administrative requirements. We appreciate the VTC's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

April 13, 2011

cc: **VENANGO 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 Venango Technology Center (VTC). Our audit sought to answer certain questions regarding the VTC's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the VTC in response to our prior audit recommendations.

Our audit scope covered the period June 29, 2009 through December 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 VTC provided educational services to 577 secondary pupils and 316 post-secondary pupils through the employment of 28 teachers, 22 full-time and part-time support personnel, and 4 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which comprises ten members from the following school districts:

Cranberry Area
Forest Area
Franklin Area
Oil City Area
Titusville Area
Valley Grove

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the VTC received more than \$963,000 in state funding in school year 2009-10.

Audit Conclusion and Results

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

Finding: Lack of Documentation Necessary to Verify Bus Drivers' Qualifications.

Our audit of the 2010-11 school year records pertaining to the VTC's contracted bus drivers found a lack of documentation needed to verify that all of the contracted drivers possessed the minimum required qualifications for employment (see page 6).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the VTC, we found the VTC had taken appropriate corrective action in implementing our recommendations pertaining to unmonitored vendor system access and logical access control weaknesses (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 June 29, 2009 through December 10, 2010.

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 the 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 VTC'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.

VTC 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

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.

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 pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 19, 2010, we reviewed the VTC's response to DE dated July 6, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Lack of Documentation Necessary to Verify Bus Drivers' Qualifications

Criteria relevant to the finding:

Pennsylvania Department of Transportation bus driver regulations require the possession of a valid driver's license and passing a physical examination.

Section 111 of the Public School Code (PSC) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to submit an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have a committed child abuse.

Chapter 23 of the State Board of Education Regulations indicates the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations.

Our audit of the 2010-11 school year records pertaining to the Venango Technology Center's (VTC) contracted bus drivers found a lack of documentation needed to verify that all of the contracted drivers possessed the minimum required qualifications for employment.

Several different state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. We reviewed the following six requirements:

1. Possession of a valid driver's license;
2. Completion of school driver skills and safety training;
3. Passing a physical examination;
4. Lack of convictions for certain criminal offenses;
5. Federal Bureau of Investigations record check; and
6. Official child abuse clearance statements.

The first three requirements were set by regulations issued by the Pennsylvania Department of Transportation. As explained in the box at the left, the fourth and fifth requirements were set by the PSC, and the sixth requirement was set by the CPSL.

We audited the personnel records of all 15 drivers currently employed by the VTC's transportation contractors. VTC's records were inadequate to verify contractor drivers were properly qualified, as follows:

- One driver did not have a valid "S" endorsement (completion of school driver skills and safety training) on file; and
- Two drivers did not have a valid criminal history record on file.

The lack of documentation was a result of VTC administrative personnel's failure to ensure that the transportation contractors retained the required bus drivers' qualifications and to review such documentation before allowing the drivers to transport school children.

Although all necessary bus driver qualification documents were not on file at the VTC, the VTC's transportation contractor provided them prior to the completion of the audit.

By not having required bus drivers' qualification documents on file at the VTC, the VTC was not able to review the documents to determine whether all drivers were qualified to transport students. If unqualified drivers transport students, there is an increased risk to the safety and welfare of students.

Recommendations

The *Venango Technology Center* should:

1. Ensure that the VTC's transportation coordinator reviews each drivers' qualifications prior to that person transporting students.
2. Maintain files, separate from the transportation contractors, for all VTC drivers and work with the contractor to ensure that the VTC's files are up-to-date and complete.

Management Response

Management at the time of the audit stated they agreed with the finding and provided no further response.

Status of Prior Audit Findings and Observations

Our prior audit of the Venango Technology Center (VTC) 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 VTC to implement our prior recommendations. We analyzed the VTC Joint Operating Committee's (JOC) written response provided to the Department of Education, performed audit procedures, and questioned VTC personnel regarding the prior observation. As shown below, we found that the VTC did implement recommendations related to unmonitored vendor system access and logical access control weaknesses.

<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>I. Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses</i></u></p> <ol style="list-style-type: none"> 1. Revise the information technology policy to address password and syntax requirements. 2. Require passwords to be eight characters in length. 3. Require vendor employees to sign the School's Acceptable Use policy. 4. Require the vendor to assign unique userID's and passwords to vendor employees authorized to access the School system. Further, the School should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives. 5. Maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords). 	<p>Background:</p> <p>Our prior audit of the information technology system found that the VTC had unmonitored vendor system access and logical access control weaknesses. Some areas of weaknesses included: password syntax requirements, password history, signing of Acceptable Use Policy, vendor use of groupID, written evidence of reviewing vendor activity log, and no fire suppression equipment.</p>	<p>Current Status:</p> <p>In our current audit, we followed up on the information technology weaknesses previously noted and found the VTC did take appropriate corrective actions.</p>

6. Implement a procedure to have written evidence that a School employee reviews the log of a vendor activity on the system.		
7. Install fire suppression equipment at the site of the server.		



Distribution List

This report was initially distributed to the 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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