

WESTERN CENTER FOR TECHNICAL STUDIES
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2010

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

Mr. William G. Scott, Joint Operating Committee Chairperson
Western Center for Technical Studies
77 Gratersford Road
Limerick, Pennsylvania 19468

Dear Governor Rendell and Mr. Scott:

We conducted a performance audit of the Western Center for Technical Studies (WCTS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 1, 2005 through August 20, 2008, except as otherwise indicated in this report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, and June 30, 2005, 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 WCTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

June 17, 2010

JACK WAGNER
Auditor General

cc: **WESTERN CENTER FOR TECHNICAL STUDIES** Joint Operating Committee Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding No. 1 – Certification Deficiencies	6
Finding No. 2 – Failure to Obtain Memorandum of Understanding	8
Status of Prior Audit Findings and Observations	9
Distribution List	11



Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Western Center for Technical Studies (WCTS). Our audit sought to answer certain questions regarding the WCTS's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WCTS in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2005 through August 20, 2008, 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 2005-06 and 2004-05 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 2005-06 the WCTS provided educational services to 440 pupils through the employment of 31 teachers, 10 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 9 members from the following school districts:

Pottsgrove
Spring-Ford Area
Upper Perkiomen

The JOC members are appointed by the individual school boards at the December meeting, each to serve a one year term. Lastly, the WCTS received more than \$370,000 in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the WCTS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings.

Finding 1: Certification Deficiency. We found that two individuals did not hold the correct certification for the position to which they were assigned (see page 6).

Finding 2: Failure to Obtain Memorandum of Understanding. Our audit found that a Memorandum of Understanding between the school and the local police department does not exist (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit of the 2003-04 and 2002-03 school years, we found the WCTS did not have any prior findings or observations.



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 July 1, 2005 through August 20, 2008, except for the verification of professional employee certification which was performed for the period June 18, 2005 through July 17, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 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 local education agencies 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 WCTS'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?

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.

- ✓ In areas where the School receives state subsidy reimbursements based on pupil membership (e.g. vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the School receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the School follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 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.

WCTS 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 professional employee certification, state ethics compliance, and financial stability.
- Items such as Joint Operating Committee meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

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

Findings and Observations

Finding No. 1

Criteria relevant to the finding:

Public School Code Section 1202 provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Public School Code Section 2518 provides, in part:

[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Certification Deficiencies

Our audit of professional employees' certification and assignments for the period June 18, 2005 through July 17, 2008, was performed to determine compliance with the Public School Code and the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education's (DE) Certification and Staffing Policies and Guidelines. We found that two individuals did not hold the correct certification for the positions to which they were assigned, one during the 2007-08 school year and the other during the 2005-06 school year.

Information pertaining to the certificates and assignments was submitted to BSLTQ for its review. BSLTQ subsequently confirmed the deficiencies. The Western Center for Technical Studies (WCTS) is therefore subject to the following subsidy forfeitures:

<u>School Year</u>	<u>Professional Personnel</u>	<u>Subsidy Forfeiture</u>
2007-08	1	\$3,686
2005-06	1	<u>3,184</u>
Total Subsidy Forfeitures		<u>\$6,870</u>

Recommendations

The *Western Center for Technical Center* should:

Ensure that all positions requiring certification are staffed with persons holding proper certification.

The *Department of Education* should:

Recover the subsidy forfeitures of \$6,870.

Management Response

Management disagreed with the finding in a response provided to us at the time of fieldwork for the audit. However, management's response objected specifically to a possible citation that was in fact subsequently deleted by BSLTQ and has therefore been dropped from our finding.

Auditor Conclusion

As stated in the body of the finding, BSLTQ made a final determination regarding the validity of the assignments and certificates remaining in our finding. If there is any further disagreement on the part of the WCTS, it must be addressed to DE.

Finding No. 2 →

Public School Code Section relevant to the finding:

Section 1303-A (c) of the Public School Code requires: All school entities to develop an MOU 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.

Failure to Obtain Memorandum of Understanding

Our audit found that a Memorandum of Understanding (MOU) between the school and the local police department does not exist.

The Basic Education Circular issued by DE entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions, item B of this draft 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)

The failure to obtain and periodically update the MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between School employees and the law enforcement agency 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.

Recommendations

The *Western Center for Technical Studies* should:

1. In consultation with its solicitor, execute a MOU between the school and the local 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:

WCTS will contact the local law enforcement agency to complete a Memorandum of Understanding. The paperwork completed several years ago was not readily available.

Status of Prior Audit Findings and Observations

Our prior audit of the Western Center for Technical Studies for the school years 2003-04 and 2002-03 resulted in findings or observations.



Distribution List

This report was initially distributed to the Western Center for Technical Studies superintendent of record, the joint operating committee, our website address at www.auditorgen.state.pa.us, and the following:

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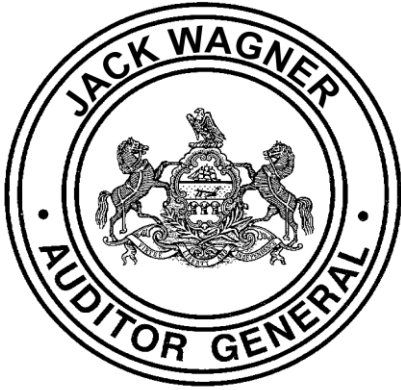
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