

LEHIGH CAREER AND TECHNICAL INSTITUTE

LEHIGH COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

DECEMBER 2009

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

Ms. Francee Fuller, Joint Operating Committee Chairperson
Lehigh Career & Technical Institute
4500 Education Park Drive
Schnecksville, Pennsylvania 18078

Dear Governor Rendell and Ms. Fuller:

We conducted a performance audit of the Lehigh Career and Technical Institute (LCTI) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period June 13, 2007 through April 30, 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 LCTI complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. 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 observation and recommendations have been discussed with LCTI's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve LCTI's operations and facilitate compliance with legal and administrative requirements. We appreciate the LCTI's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 3, 2009

cc: **LEHIGH CAREER & TECHNICAL INSTITUTE** 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 Lehigh Career and Technical Institute (LCTI). Our audit sought to answer certain questions regarding the CTI's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the LCTI in response to our prior audit recommendations.

Our audit scope covered the period June 13, 2007 through April 30, 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 LCTI provided educational services to 2,754 secondary pupils and 1,016 post-secondary pupils through the employment of 107 teachers, 186 full-time and part-time support personnel, and 15 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of 21 members from the following school districts:

Allentown City
Catasauqua Area
East Penn
Northern Lehigh
Northwestern Lehigh
Parkland
Salisbury Township
Southern Lehigh
Whitehall-Coplay

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the LCTI received more than \$4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the LCTI complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. We noted that LCTI 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 6).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the LCTI from an audit we conducted of the 2005-06 and 2004-05 school years, we found the LCTI had taken appropriate corrective action in implementing our recommendations pertaining to Social Security (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 June 13, 2007 through April 30, 2009, except for the verification of professional employee certification which was performed for the period May 26, 2007 through March 31, 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

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 LCTI'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 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?
- ✓ 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 observation and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observation and conclusions based on our audit objectives.

LCTI 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 and financial stability.
- Items such as meeting minutes and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 22, 2007, we reviewed the LCTI's response to DE dated October 22, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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 Vendor System Access and Logical Access Control Weaknesses

The Lehigh Career and Technical Institute (LCTI) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The vendor has remote access into the LCTI’s network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the LCTI’s data could occur and not be detected because the LCTI was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the LCTI has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the LCTI would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls.

Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the LCTI’s membership information and result in the LCTI not receiving the funds to which it was entitled from the state.

During our review, we found the LCTI had the following weaknesses over vendor access to the LCTI’s system:

1. The LCTI does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the LCTI’s Acceptable Use Policy.
2. The LCTI has certain weaknesses in logical access controls. We noted that the LCTI’s system parameter settings do not require all users, including the vendor, to change their passwords every 30 days.

3. The vendor uses a group userID rather than requiring that each employee has a unique userID and password.
4. The LCTI does not have evidence to support they are generating or reviewing monitoring reports of user remote access and activity on the system (including vendor and LCTI employees). There is no evidence to support that the LCTI is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system.

Recommendations

The *Lehigh Career and Technical Institute* should:

1. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the LCTI should require the vendor to sign the LCTI's Acceptable Use Policy.
2. Implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days).
3. Require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the LCTI system. Further, the LCTI should obtain a list of vendor employees with access to its data and ensure that changes to the data are made only by authorized vendor representatives.
4. Generate monitoring reports (including firewall logs) of vendor 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 LCTI should review these reports to determine that the access was appropriate and that data was not improperly altered.

The LCTI should also ensure it is maintaining evidence to support this monitoring and review.

Management Response

Management stated the following:

Management agrees with most points of this observation as discussed [below], except points D. and E. for which management provides an explanation for its differing position.

Review of IT Security Policies

Reply: LCTI will develop a procedure for controlling the activities of vendors/consultants and require all vendors to sign the LCTI Acceptable Use Policy.

Logical Access Settings for Membership/Attendance Applications

Reply: LCTI currently requires all users of the Membership/Attendance Application to change their passwords every 90 days. The auditors are recommending forced password changes every 30 days. At the present time, LCTI Administration feels that 90 days is sufficient, due to the high volume of work orders that would occur from system users experiencing problems when changing passwords.

IT Vendor Access to Membership and Attendance Data

Condition 1 Reply: LCTI disagrees with this observation. Vendor employees are not authorized to access the system. Vendor employees do not have accounts on the system and cannot gain physical or logical access to the system without the direct assistance of an authorized LCTI employee.

This access is obtained by the authorized LCTI employee opening a trouble ticket with the vendor. If the vendor requires access to the system the LCTI employee must login locally on a PC at LCTI using the employees account. The LCTI employee opens an iLinc session with the vendor. This grants the vendor access to the employees PC. The LCTI employee maintains constant voice contact with the vendor via telephone and constant visual contact on the PC.

When finished, the session is terminated by the LCTI employee and the vendor can no longer access the system. Data cannot be altered during this session without the approval of the authorized employee. This transaction including names and reasons is recorded on the vendor trouble ticket.

Because vendor employees do not have direct physical or logical access to the system they do not need an account on the system.

Condition 2 Reply: LCTI will develop a procedure for monitoring employee and vendor access to the system.

Auditor Conclusion

Although LCTI currently requires all users of the Membership/Attendance Application to change their passwords every 90 days, our recommendation remains to require all users to change their passwords every 30 days. LCTI noted that vendor employees are not authorized to access the system. However our audit found that the vendor uses a group userID rather than requiring each employee to have a unique userID and password. Our recommendation to require the vendor to assign unique userIDs and passwords as a safeguard for LCTI's system stands.

Status of Prior Audit Findings and Observations

Our prior audit of the Lehigh Career and Technical Institute (LCTI) for the school years 2005-06 and 2004-05 resulted in one reported finding that pertained to Social Security. As part of our current audit, we determined the status of corrective action taken by the LCTI to implement our prior recommendations. We analyzed the LCTI Superintendent of Record's written response provided to the Department of Education (DE), performed audit procedures, and questioned LCTI personnel regarding the prior finding. As shown below, we found that the LCTI did implement recommendations related to Social Security.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Errors in Reporting Social Security and Medicare Wages Resulted in Reimbursement Underpayments of \$8,148</i></u></p> <ol style="list-style-type: none"> 1. Ensure LCTI personnel are aware of the proper procedures for correctly completing state Social Security reimbursement forms. 2. Reconcile total taxable wages for Social Security and Medicare wages reported on the Employer's Quarterly Federal Tax Return. 3. Review reports filed for years subsequent to our audit period and, if errors are found, submit revised reports to DE. 4. DE should pay the LCTI an additional \$8,148 to resolve the reimbursement underpayments. 	<p>Background:</p> <p>Our audit of LCTI's Social Security and Medicare wages reimbursement records found that reports submitted to DE for the 2005-06 school year were inaccurate, resulting in reimbursement underpayments of \$8,148.</p>	<p>Current Status:</p> <p>We followed up on the LCTI Social Security and Medicare wages reimbursement records and found that the LCTI <u>did</u> take appropriate corrective action to improve controls over reporting Social Security wages.</p> <p>As of our fieldwork completion date of April 30, 2009, DE had not resolved the underpayments of \$8,148.</p>

Distribution List

This report was initially distributed to the executive director of the technology institute, the joint operating committee members, our website address at www.auditorgen.state.pa.us, and the following:

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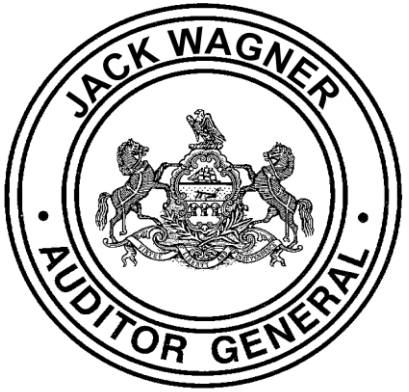
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