

SOMERSET COUNTY TECHNOLOGY CENTER
SOMERSET COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2010

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

Mr. Allan Shandor, Joint Operating Committee Chairperson
Somerset County Technology Center
281 Technology Drive
Somerset, Pennsylvania 15501

Dear Governor Rendell and Mr. Shandor:

We conducted a performance audit of the Somerset County Technology Center (SCTC) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 7, 2007 through October 15, 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 SCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the SCTC's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

January 29, 2010

cc: **SOMERSET COUNTY TECHNOLOGY CENTER** Joint Operating Committee Members

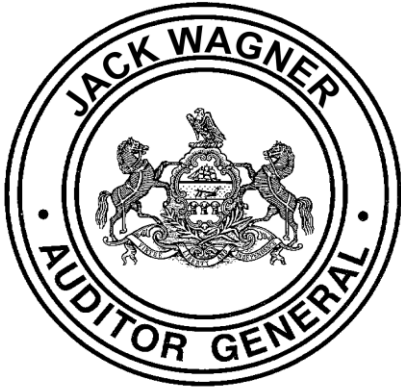
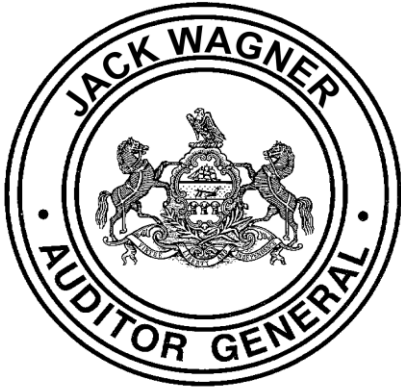


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Executive Summary

Audit Work

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

Our audit scope covered the period September 7, 2007 through October 15, 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 SCTC provided educational services to 399 secondary pupils through the employment of 19 teachers, 22 full-time and part-time support personnel, and 6 administrators. The operation, administration and management of the school are directed by a joint operating committee (JOC) which is comprised of nine members from the following school districts:

Berlin Brothersvalley
Meyersdale Area
North Star
Rockwood Area
Shade-Central City

Shanksville-Stoneycreek
Somerset Area
Turkeyfoot Valley Area

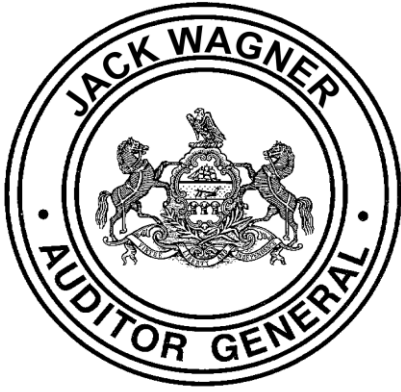
The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term. Lastly, the SCTC received more than \$877 thousand in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the SCTC complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the SCTC resulted in no findings or observations.

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the SCTC from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SCTC took appropriate corrective action in implementing our recommendations pertaining to tuition billing errors (see page 7) and a certification deficiency (see page 8). However, we found the SCTC had not taken appropriate corrective action in implementing our recommendations pertaining to reporting hours taught by adult vocational education teachers (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 September 7, 2007 through October 15, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2008 through June 30, 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

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 SCTC'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?
- ✓ Is the School's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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

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.

SCTC 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 pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Items such as meeting minutes and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 30, 2008, we reviewed the SCTC's response to DE dated March 13, 2008. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Somerset County Technology Center resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Somerset County Technology Center (SCTC) for the school years 2005-06 and 2004-05 resulted in three reported findings. The first finding pertained to tuition billing errors, the second dealt with errors in reporting hours taught by adult vocational education teachers, and the third pertained to a certification deficiency. As part of our current audit, we determined the status of corrective action taken by the SCTC to implement our prior recommendations. We analyzed the SCTC Joint Operating Committee's (JOC) written response provided to the Department of Education (DE), performed audit procedures, and questioned SCTC personnel regarding the prior findings. As shown below, we found that the SCTC did implement our recommendations concerning tuition billing errors and the certification deficiency. The SCTC did not implement our recommendations related to reporting hours taught by adult vocational education teachers.

<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 1: Tuition Billing Errors</i></u></p> <ol style="list-style-type: none"> 1. Refund Salisbury-Elk Lick School District (SELSD) the amount of the overcharges. 2. Reconcile pupil membership data to tuition billings in the future to ensure tuition is properly billed. 3. Review membership data and tuition billings subsequent to the years audited and submit revised billings if errors are found. 	<p>Background:</p> <p>Our prior audit of pupil membership data and tuition billings for the 2005-06 and 2004-05 school years found that the SELSD, a nonparticipating school district, was overcharged \$3,751 for the time its students spent at the SCTC.</p>	<p>Current Status:</p> <p>Our current audit found no significant tuition billing errors.</p> <p>SELSD's 2007-08 tuition payment was reduced by \$3,751 to correct the prior years' overcharges.</p> <p>Based on the results of our current audit, we concluded that the SCTC <u>did</u> take appropriate corrective action to address this finding.</p>

<p><u>II. Finding 2: Adult Vocational Education Reimbursement Net Underpayment of \$859</u></p> <ol style="list-style-type: none"> 1. Implement a system of review to ensure hours taught by adult vocational teachers are accurately reported to DE. 2. Reconcile payments received from DE to reported data to ensure the accuracy of the reimbursement. 3. Review applications submitted to DE subsequent to the years of audit and submit revised reports if errors are found. 4. DE should adjust the SCTC's future allocations to resolve the \$859 net underpayment. 	<p>Background:</p> <p>Our prior audit of adult vocational education records for the 2005-06 and 2004-05 school years found errors in the number of reimbursable hours reported to DE on the vocational-technical education personnel list, resulting in a net reimbursement underpayment of \$859.</p> <p>Errors in the time reported for both years of audit were the result of SCTC personnel reporting hours for leave time and holidays for one instructor and failing to reconcile the hours reported to instructors' time sheets, thus understating the hours taught by some instructors and overstating the hours taught by others.</p>	<p>Current Status:</p> <p>Our current audit found that the SCTC did not take appropriate corrective action to address our prior recommendations. As a result, identical reporting errors occurred. However, there were no significant differences between the reimbursements owed to the SCTC and what it received.</p> <p>We again recommend that SCTC stop reporting hours for leave time and holidays for reimbursement and implement a system of review to ensure hours taught by adult vocational teachers are accurately reported to DE.</p> <p>As of October 15, 2009, DE had not yet adjusted SCTC's allocations. We again recommend that DE adjust the School's future allocations to correct the net reimbursement underpayment of \$859.</p>
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<p><u>III. Finding 3: Certification Deficiency</u></p> <ol style="list-style-type: none"> 1. Put procedures in place to ensure all employees are properly certified for their positions. 2. DE should adjust the SCTC's allocations to recover subsidy forfeitures of \$1,359. 	<p>Background:</p> <p>Our prior audit of the professional employees' certification and assignments for the period October 1, 2005 through April 30, 2007, found one teacher was assigned to teach from October of 2005 through November of 2005 before he was issued a valid Pennsylvania certificate, and was also assigned from September of 2006 through November of 2006 on an expired emergency permit. As a result, the SCTC was subject to subsidy forfeitures totaling \$1,359.</p>	<p>Current Status:</p> <p>Our current audit found no certification deficiencies.</p> <p>Based on the results of our current audit, we concluded that the SCTC did take appropriate corrective action to address this finding.</p> <p>DE deducted \$1,359 from the SCTC's June 2009 secondary career and technical education funding allocations to resolve this finding.</p>
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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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The Honorable Robert M. McCord
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Harrisburg, PA 17120

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Senate Education Committee
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Harrisburg, PA 17120

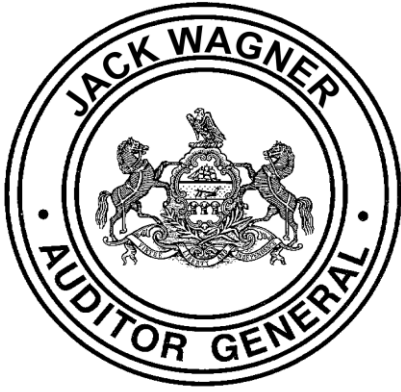
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