



VENANGO TECHNOLOGY CENTER
VENANGO COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Mr. Todd Carson, Chairperson
Venango Technology Center
One Vo-Tech Drive
Oil City, Pennsylvania 16301

Dear Governor Corbett and Mr. Carson:

We conducted a performance audit of the Venango Technology Center (Center) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 10, 2010 through March 25, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012 and June 30, 2011. 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 Center complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE
Auditor General

July 18, 2013

cc: **VENANGO TECHNOLOGY CENTER** Joint Operating Committee Members

Table of Contents

	Page
Executive Summary	Error! Bookmark not defined.
Audit Scope, Objectives, and Methodology	2
Findings and Observations	5
Finding – School Bus Drivers’ Qualifications Deficiencies	5
Status of Prior Audit Findings and Observations	8
Distribution List	9

Executive Summary

Audit Work

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

Our audit scope covered the period December 10, 2010 through March 25, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2011-12 and 2010-11 school years.

Center Background

According to Center officials, in school year 2011-12 the Center provided educational services to 552 secondary pupils and 168 post-secondary pupils through the employment of 26 teachers, 24 full-time and part-time support personnel, and 4 administrators during the 2011-12 school year. The operation, administration, and management of the Center are directed by a joint operating committee (JOC) which comprises of 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 Center received \$880,171 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the Venango Technology Center complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance related matter reported as a finding.

Finding: School Bus Drivers'

Qualifications Deficiencies. Our audit of the Venango Technology Center's contracted bus drivers records for the 2011-12 school year found a lack of documentation needed to verify that all of the contracted drivers possessed the minimum required qualifications for employment (see page 5).

Status of Prior Audit Findings and

Observations. With regard to the status of our prior audit recommendations to the Venango Technology Center from an audit released on April 13, 2011, we found that the Center had not taken appropriate corrective action in implementing our recommendations pertaining to lack of documentation necessary to verify bus drivers' qualifications (see page 8).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania 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 December 10, 2010 through March 25, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 and 2010-11 school years.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the Center's compliance with applicable state laws, 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:

- ✓ Does the Center have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ In areas where the Center received state subsidies and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?

- ✓ In areas where the Center received transportation subsidies, were the Center and any contracted vendors in compliance with applicable state laws and procedures?
- ✓ Did the Center, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Did the Center take appropriate steps to ensure school safety?
- ✓ Did the Center have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the Center’s Board of School Directors free from apparent conflicts of interests?
- ✓ Did the Center take appropriate corrective action to address recommendations made in prior audit?

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, 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Center’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the Center’s internal controls, including any information technology controls, as they relate to the Center’s compliance with applicable state laws, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, state ethics compliance, and financial stability.
- Items such as board meeting minute and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the Center's operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 13, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

School Bus Drivers' Qualifications Deficiencies

Criteria relevant to the finding:

Section 111 of the Public School Code, 24 P.S. § 1-111, 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 in certain circumstances would prohibit the individual from being hired.

In addition, Section 111 requires a Federal Bureau of Investigation fingerprint record check for all employees' hired on or after April 1, 2007, and further provides:

"[A]dministrators shall maintain on file with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Pennsylvania Department of Education."

Chapter 23 of the State Board of Education Regulations indicates the Board of School Directors is responsible for the selection and approval of eligible operators who qualify under the law.

Pennsylvania Department of Transportation bus driver regulations require passing a physical exam.

Our audit of the Venango Technology Center's (Center) school bus drivers' qualifications for the 2011-12 school year found that not all required records were on file at the time of our audit.

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

We reviewed the personnel records of all 33 contracted bus drivers currently employed by the Center. It was decided that a review of all contracted drivers would be performed when the auditor noted possible concerns with the federal criminal history records.

Our review found that the Center did not have on file at the time of the audit a valid physical examination certificate for two drivers and federal criminal history records for five drivers. In addition, the Center had invalid federal criminal history records for three additional drivers.

The deficiencies identified by our audit included eight drivers, some involving more than one deficiency as follows:

- For three drivers, the Center had on file the "unofficial copy" of the federal criminal history record provided to the applicant, which cannot be used as the "official copy" that is to be reviewed by the Center.
- The Center did not have a federal criminal history record on file for five drivers.
- The Center did not have a valid physical examination certificate on file for two drivers.

By not having required bus drivers' qualification documents on file at the center, the Center's personnel were 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.

Effective December 1, 2008, the Pennsylvania Department of Education (PDE) began using new procedures for obtaining federal criminal history records of prospective public school and private employees and their contractors. Under the new system, PDE provides access to federal criminal history records to approved hiring entities via a secure website.

Center personnel were aware of the change in procedures but failed to have all valid federal criminal history records on file. In addition, Center personnel did not effectively communicate with its contractor to ensure that its contractors met the qualification requirements.

On February 20, 2013, we informed the Center's management of the missing documentation and instructed them to immediately obtain the necessary documents to ensure the drivers were properly qualified to have direct contact with children. On March 19, 2013, administrative personnel received the clearances and physicals and provided them to the auditor. The clearances showed no issues that would disqualify the drivers from having direct contact with children.

Recommendations

The *Venango Technology Center* should:

1. Ensure all bus drivers' qualification documents are on file prior to hiring them to transport students.
2. Ensure that all the bus drivers' personnel files are kept up-to-date.
3. Ensure that all future federal criminal record checks are done in accordance with the method prescribed by PDE.

Management Response

Management stated the following:

“Management was not aware that a copy of the federal criminal records check could not be the unofficial copy that was provided by the bus contractor. The other four drivers without federal criminal history records on file were a result of poor communication with [the] bus contractor. Management relied on the conversation that was had with this contractor to provide all driver information and believed that they had done so. There turned out to be four instances where they did not get the federal criminal history from the Center, who had entered these on line and did not turn the results over to the contractor. In the future, the Tech Center will include multiple employees in the review of driver credentials in the summer, so that the likelihood of excluding proper credentials will be avoided.”

Status of Prior Audit Findings and Observation

Our prior audit of the Venango Technology Center (Center) released on April 13, 2011, resulted in one finding. The finding pertained to a lack of documentation necessary to verify bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the Center to implement our prior recommendations. We performed audit procedures and interviewed Center personnel regarding the prior finding. As shown below, we found that the Center did not implement our recommendations related to a lack of documentation necessary to verify bus drivers' qualifications.

Auditor General Performance Audit Report Released on April 13, 2011

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

Finding Summary: Our prior audit of the Center's bus drivers' qualifications for the 2010-11 school year found that not all records were on file at the Center at the time of our audit.

Recommendations: Our audit finding recommended that the Center:

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

Current Status: During our current audit, we found that the Center did not implement our recommendations. Please refer to the finding in the current report (see page 5).

Distribution List

This report was initially distributed to the Center's Superintendent of Record, the Joint Operating Committee, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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

The Honorable William E. Harner
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robert M. McCord
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Lori Graham
Acting Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Tom Templeton
Assistant Executive Director
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.

