Erie County
Technical
School

JOC response-Auditor General Report
May 22, 2008

Connie L. Derr
Audit Coordinator
Division of Budget
Bureau of Budget and Fiscal Management
Department of Education
333 Market St- 4th Floor
Harrisburg, PA 17126-0333

At the regularly scheduled meeting of the Erie County Technical School Joint Operating Committee held on May 22, 2008 the following audit response resolution was reviewed and adopted.

The Joint Operating Committee resolved to adopt the attached response and corrective action plan to the Performance Audit Report issued by the Office of the Auditor General for the years ended June 30, 2006 and 2005 and in certain areas extending beyond June 30, 2006

Respectively submitted,

Sandra K. Myers
Superintendent of Record
Erie County Technical School

Paul D. Fritz
Secretary
Joint Operating Committee
Erie County Technical School

Objective No. 1
Finding No. 1 – summary:
Billing and reporting errors reported with the school's alternative education program for disruptive youth students.

Auditor General recommendations:

Technical school administrative personnel responsible for reporting alternative education data should:

- develop internal attendance/membership procedures to adhere to the disruptive youth grant requirements;
- make appropriate adjustments as needed to subsequent quarterly reports submitted to DE for reimbursement; and
- revise tuition billings to correct over/under billings.

Also, DE should adjust the technical school's future allocations to recover the reimbursement overpayment of $2,029.

ECTS response and corrective action plan:

ECTS operating committee concurs with the recommendations.

During SY 2007-2008 ECTS administration will review the process of recording and reporting of admission and discharge dates with its contractor Sarah A. Reed Children's Center (SARCC) to improve the accuracy of the student data in the Career and Alternative Education Program (CAEP) to comply with PDE grant guidelines.

Beginning with SY 2008-2009 there will be a process in place for ECTS verification of admission and discharge dates of students from participating school districts. The CAEP student data will be recorded by ECTS staff into the ECTS student data software system, currently SchoolDESX. The verified SchoolDESX data will be used to generate district invoices and PDE grant invoices. If student data is modified subsequent to issuing monthly invoices then the District invoices will be revised as necessary based on the modified student data. PDE CAEP grant invoices would also be revised but there are currently no provisions at PDE for a grantee to revise a previously submitted invoice under a PDE awarded grant.

Previous district invoices found to be in error by the auditor general review have been revised for over/under billing.

A corrective action plan is in process through the schools' ISO 9001:2000 quality management continual improvement system that will monitor progress.

Finding No. 2- summary:
Joint Operating Committee members failed to file Statement of Financial Interests in violation of the ethics Act.

Auditor General recommendations:

The JOC should:

- seek the advice of its solicitor in regard to the JOC's responsibility when an elected JOC member fails to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

ECTS response and corrective action plan:

ECTS operating committee concurs with the recommendations.

The ECTS board secretary will provide the Statements of Financial Interest forms (SEC-1) to each JOC member at the monthly operating committee meetings beginning in January each year and also will review the filing requirements and instructions. The SEC-1 Form will also be mailed to any JOC member not currently serving but who had served previously and is required to file the form. The secretary will keep a file of all the completed forms.

Beginning in 2007 the ECTS secretary will review the filed forms for completeness and will inform the ECTS solicitor of any JOC member not filing the SEC-1 Form as required by law. The solicitor will recommend any further action as necessary. All JOC members and former JOC members filed the statements by May 1, 2008.

A corrective action plan is in process through the schools' ISO 9001:2000 quality management continual improvement system that will monitor progress.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF EDUCATION
333 MARKET STREET
HARRISBURG, PA 17126-0333
www.pde.state.pa.us

March 31, 2008

Dr. Aldo R. Jackson
Director of Vocational Education
Erie County Technical School
8500 Oliver Road
Erie, PA 16509-4699

Re: Auditor General's Performance Audit Report
Fiscal Years Ending June 30, 2006 and 2005

Dear Dr. Jackson:

In compliance with Governor's Office Management Directive #325.10, the Department of Education is required to secure a response to the Performance Audit Reports issued by the Office of the Auditor General. The main objectives of the Directive are to ensure that the responsive parties are cognizant of the findings and/or observations cited in these Audit Reports and that an official Corrective Action Plan has been instituted.

Please review, evaluate and respond to the Performance Audit Report following the attached Audit Review Procedures (Attachment A).. Your response shall also include a Corrective Action Plan containing the following elements:

A description of the Finding or Observation.

A statement indicating the concurrence or nonconcurrence with the Audit Report's Findings/Observations and Recommendations.

Specific steps to be taken to correct the situation or specific reasons why corrective action is not necessary.

A timetable for the implementation of each corrective action step.

A description of monitoring procedures performed to ensure implementation of the corrective action steps.

The response is to be signed by you and the original and two (2) copies are to be transmitted on the LEA's official stationery within sixty (60) days of receipt of this letter to the following address:

Ms. Connie L. Derr
Audit Coordinator
Division of Budget
Bureau of Budget and Fiscal Management
Department of Education
333 Market Street – 4th Floor
Harrisburg, Pennsylvania 17126-0333

Audit Reports are available under the Pennsylvania Department of the Auditor General's website, www.auditorgen.state.pa.us. If you have any questions, please contact Judy Gastley at (717) 787-5993.

Sincerely,

Connie L. Derr

Connie L. Derr
Audit Coordinator

Attachment

cc: Mr. James H. Bucksbee, Board President (No Attachment)
Mr. Paul Fritz, Board Secretary (Attachment)

PENNSYLVANIA DEPARTMENT OF EDUCATION
AUDIT REVIEW PROCEDURES
AUDITOR GENERAL'S LOCAL EDUCATIONAL AGENCIES PERFORMANCE AUDIT REPORTS

ACTION BY:	**STEP**	**ACTION**
Secretary of Education	1.	Receives copy of Performance Audit Report for each Local Educational Agency (LEA) from the Office of the Auditor General.
Audit Coordinator Department of Education	2.	Requests response from the LEA when report contains findings, observations or recommendations to the auditee. Forwards request to the LEA Administrator[1] with a copy to the President/Chair of the LEA's Board of Directors and the Secretary.
LEA Administrator[1]	3.	Forwards LEA Performance Audit Report for response to established Audit Review Committee or the Board acting as a whole.
LEA Audit Review Committee or Board of Directors	4.	Prepares response to each finding, observation and recommendation including a Corrective Action Plan addressing each determination. Forwards response to President/Chair of the Board for Board action.
LEA Board of Directors	5.	Passes resolution adopting and approving the response and the Corrective Action Plan. Forwards response and any supporting documentation to LEA Administrator[1].
LEA Administrator[1]	6.	Forwards ***ORIGINAL and TWO (2)*** copies of Audit Response Package to the Pennsylvania Department of Education, Bureau of Budget and Fiscal Management, Division of Budget, 333 Market Street – 4th Floor, Harrisburg, Pennsylvania 17126-0333. The Audit Response Package should include: • Date of Board Meeting, Board Certification/Adopted Date of the Response • Description of Finding or Observation • Statement of Concurrence or Nonconcurrence • LEA's Response, Resolution, Supporting Documentation • Implementation Dates of Each Corrective Action Step • Description of Monitoring Procedures to Ensure Implementation of the Corrective Action • Signature of the LEA Administrator[1] The Audit Response Package is due at the Department of Education within 60 days of receipt of the PDE's request.

[1]**LEA Administrator is:**

- Superintendent of a School District;
- Executive Director of an Intermediate Unit;
- Superintendent of Record for an Area Vocational Technical School;
- Chief Administrative Officer for Charter School;
- President of Postsecondary Educational Agencies.

COMMONWEALTH OF PENNSYLVANIA

JACK WAGNER
AUDITOR GENERAL

ERIE COUNTY TECHNICAL SCHOOL

ERIE COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDINGS, RECOMMENDATIONS AND

STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS

THROUGH FEBRUARY 21, 2007

JACK WAGNER, AUDITOR GENERAL

PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

January 24, 2008

Dr. Aldo Jackson, Director
ERIE COUNTY TECHNICAL SCHOOL
8500 Oliver Road
Erie, PA 16509

Dear Dr. Jackson:

Pursuant to the requirements of 72 P.S. § 403, we are transmitting one copy of the audit report of the **ERIE COUNTY TECHNICAL SCHOOL**, Erie County, Pennsylvania, for the years ended June 30, 2006 and 2005.

Sincerely,

Jack Wagner

JACK WAGNER
Auditor General

cc: **ERIE COUNTY TECHNICAL SCHOOL** Board Members

JACK WAGNER
AUDITOR GENERAL

ERIE COUNTY TECHNICAL SCHOOL
ERIE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006
WITH FINDINGS, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS
THROUGH FEBRUARY 21, 2007

ERIE COUNTY TECHNICAL SCHOOL
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JACK WAGNER

AUDITOR GENERAL

Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

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

Dear Governor Rendell:

We have conducted a performance audit of the Erie County Technical School for the years ended June 30, 2006 and 2005, and in certain areas extending beyond June 30, 2006. 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 was limited to the following objectives:

- Objective No. 1 - To determine if the Erie County Technical School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and

- Objective No. 2 - To determine if the Erie County Technical School took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Erie County Technical School, we considered the technical school's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the technical school's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Erie County Technical School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following findings further discussed in the Conclusions section of this report:

Objective No. 1

Finding No. 1 – Billing and Reporting Errors Associated with the School's Alternative Education Program for Disruptive Youth Students

Finding No. 2 – Joint Operating Committee Members Failed to File Statements of Financial Interests in Violation of the Ethics Act

We believe that our recommendations, if implemented by the technical school, will help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

Jack Wagner

February 21, 2007

JACK WAGNER
Auditor General

ERIE COUNTY TECHNICAL SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Erie County Technical School's administrative offices are located at 8500 Oliver Road, Erie, Pennsylvania.

According to school administration officials, during the 2005-06 school year, the Erie County Technical school provided basic educational services to 786 secondary pupils and 1,100 post-secondary pupils in various technical fields through the employment of 11 administrators, 27 teachers, and 23 full-time and part-time support personnel.

The operation, administration and management of the technical school are directed by a joint operating committee (JOC) which is comprised on 11 members from the following school districts:

Fairview	Fort LeBoeuf
General McLane	Girard
Harbor Creek	Iroquois
Millcreek Township	North East
Northwestern	Union City Area
Wattsburg Area	

The JOC members are appointed by the individual school boards at the December meeting, each to serve a three year term.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the technical school incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the technical school throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 17 through 18 of this report for a listing of the state revenue the technical school received during the 2005-06 and 2004-05 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. Technical school annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

ERIE COUNTY TECHNICAL SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Erie County Technical School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and

- Objective No. 2 - To determine if the Erie County Technical School took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006 and 2005, and in certain areas extending beyond June 30, 2006.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a technical school requires (JOC) members to establish and maintain internal controls to provide reasonable assurance that specific technical school objectives will be achieve. JOC members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the technical school's internal controls as they relate to the Erie County Technical School's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the technical school incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a technical school's operations for a given year until after this information becomes available.

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Erie County Technical School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Erie County Technical School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the Conclusions-Objective No. 2 section of this report and the findings listed below. The findings and recommendations were reviewed with representatives of the Erie County Technical School, and their comments have been included in this report.

Finding No. 1 – Billing and Reporting Errors Associated with the School's Alternative Education Program for Disruptive Youth Students

Our current audit of the technical school's alternative education program for disruptive youths, found that membership was inaccurately reported to the Department of Education (DE) for the 2005-06 school year,. Also, errors were noted in the tuition billings to neighboring school districts for students attending the alternative education program.

The technical school's alternative education program is a contracted program operated by the Sarah Reed Children Center (Sarah Reed), a private, residential facility. As stated in the alternative education grant application, the purpose is defined as follows:

> . . . a collaborative effort between the Erie County Technical School and the Sarah A. Reed Children's Center has been formed to provide a Career Alternative Education Program (Program). This is an agreement for the provisions of therapeutic alternative education services for disruptive youth services between the Erie County Technical School, and the Sarah A. Reed Children's Center, in operation of the Career Alternative Education Program pursuant to the Pennsylvania Public School Code at 24 P.S. §19-1901-E et seq.

In addition to the grant funding received from the Commonwealth, the technical school also bills and receives tuition income of $55 per day for students attending the program from neighboring school districts.

Finding No. 1 (Continued)

A comparison of the quarterly reports for the Sarah Reed Alternative Education program and the technical school's tuition billings found several instances where the date of admission and/or discharge was incorrect. The technical school was made aware of the inconsistencies by the various students' resident districts. However, due to the time delay of these notifications, the disruptive youth grant quarterly report had already been submitted and the technical school's business administrators never made the necessary revisions.

The technical school over reported the number of students and weeks certain students attended, detailed, as follows:

Quarter	# of Students Over-reported	Rate per week	# of weeks	Total over paid
First (July1-Sept. 30)	2	$27.81	5	$ 278
Second (Oct 1-Dec 31)	2	27.81	12	667
Third (Jan 1-Mar 31)	1	27.81	12	334
Fourth (Apr 1-June 30)	4	27.81	5	556
Fourth (Apr 1-June 30)	1	27.81	4	111
Fourth (Apr 1-June 30)	3	27.81	1	83
			Total	$2,029

DE guidelines and instructions mandate that school districts and technical schools accurately report the number of students and the number of days membership for alternative education students.

In regards to the tuition billing errors, one error was caused when a student started the school year at the Iroquois School District and then transferred to the Northwestern School District; both districts were billed for this student and both paid for this student. However, the Iroquois School District should be refunded $3,740.

Another error resulted when a Union City Area School District student was identified by the Sarah Reed personnel as a Fort LeBoeuf School District student. The Fort LeBoeuf School District paid the tuition for the first and second quarters; the technical school adjusted the third quarter billing to correct this error.

When correcting the error, the technical school billed the Union City Area School District for only the first and third quarters, erroneously omitted the second quarter and incorrectly used a daily rate of $56 a day rather then the appropriate rate of $55. As a result the Union City Area School District was under billed $2,420.

Finding No. 1 (Continued)

The 2005-06 Projected Enrollment Form for Alternative Education for Disruptive Youth states that it is the responsibility of the technical school for maintaining the students' attendance information. However, the technical school's business manager stated that he bills off of data that the Sarah Reed personnel provides to the technical school which includes the students' resident district, date of admission and date of discharge.

A review of the 2004-05 alternative education program found no errors.

Recommendations

Technical school administrative personnel responsible for reporting alternative education data should:

- develop internal attendance/membership procedures to adhere to the disruptive youth grant requirements;
- make appropriate adjustments as needed to subsequent quarterly reports submitted to DE for reimbursement; and
- revise tuition billings to correct over/under billings.

Also, DE should adjust the technical school's future allocations to recover the reimbursement overpayment of $2,029.

Response of Management

In a written response, management agreed with the finding. In addition, management made the following comments:

> The management will review the recording and reporting of admission and discharge dates with its contractor, the Sarah Reed Children's Center. The review should lead to corrective actions to improve the accuracy of recording and reporting dates of admission and discharge. The management and contractor will establish a procedure to reconcile the Department of Education quarterly reports when changes occur in admission or discharge dates.

Finding No. 1 (Continued)

> The review with the contractor will also include verification of admission and discharge dates with participating school districts. The review should lead to corrective actions to improve the accuracy of recording and reporting dates of admission and discharge. The management and contractor will establish a procedure to reconcile school district invoices when changes occur in admission or discharge dates.

Finding No. 2 – Joint Operating Committee Members Failed to File Statements of Financial Interests in Violation of the Ethics Act

Our audit of the technical school's records found that two members of the joint operating committee (JOC) failed to file a Statement of Financial Interest for the year ended 2004, and one failed to file for the year ended 2005.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. & 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public trust. In addition, the JOC members failure to file the Statements of Financial Interests constituted violations of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa.C.S. & 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides in pertinent part, as follows:

> No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

Finding No. 2 (Continued)

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than $1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than $25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of $250.

Technical school personnel stated that they requested, several times, that the forms be filled out by all JOC members, but that some members did not complete the forms, for unknown reasons.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

<u>Recommendations</u>

The JOC should:

- seek the advice of its solicitor in regard to the JOC's responsibility when an elected JOC member fails to file a Statement of Financial Interests; and

- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

<u>Response of Management</u>

Management agreed with the finding and further stated:

1. The Erie County Technical School (ECTS) administration will provide the Statements of Financial Interest forms (SEC-1) to each JOC member at the monthly operating committee meetings beginning in January of each year.

2. The form will be pre filled to include the Erie County Technical School as the named Political Subdivision/Agency in section 05.

3. A verbal request will be made asking that the form to be completed and returned to the JOC secretary before the May 1 due date. The secretary will keep the forms on file.

Finding No. 2 (Continued)

4. The form will be distributed each month until completed, through April.

5. The SEC-1 Form will also be mailed to any JOC member not currently serving but who had served during the preceding calendar year.

6. ECTS administration has requested the school solicitor review this procedure and for advice when a JOC member fails to file the SEC-1 form.

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Erie County Technical School took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. The status of this finding, along with a description of the joint operating committee's (JOC) disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the JOC's written response, dated January 26, 2006, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning of appropriate district personnel regarding specific prior years' finding and recommendations.

Finding – Lack of Internal Controls Governing the Use of Procurement Cards

Our prior audit of the Erie County Technical School's (ECTS) procurement card system found internal control weaknesses. The ECTS had 43 procurement cards with various monthly spending limits assigned to each card. Of the 43 cardholders, 25 cardholders had declining balance spending limits, for the school year, ranging from $2,500 to $10,000. That is, a cardholder is assigned an amount, for example, $5,000, and is permitted to spend down that amount until it reaches a zero balance.

The remaining 18 cardholders had an overall total spending limit of $100,000 monthly. That is, the 18 cardholders could spend, as a group, up to $100,000 a month. The charges to the procurement cards were then paid in full for that month.

We recommended the joint operating committee (JOC) require ECTS personnel be restricted to using their own procurement cards, require ECTS personnel to follow employee usage agreement procedures and the administration to monitor the program consistently, require ECTS personnel to submit receipts to the ECTS for purchases made and provide staff training regarding the usage of the sales tax exemption number. We also recommended the JOC revise the employee usage agreement to include more stringent security controls over the cards.

Finding (Continued)

The board, in its written response, stated:

> The Auditor's recommendations and ECTS responses are:
>
> 1. Recommendation: require ECTS personnel be restricted to using their own procurement cards.
>
>   Response: The employee usage agreement states "You are the only person entitled to use the card and are responsible for all charges made against the card." The administration reiterated this rule at faculty meetings initially on 8/31/2004, again on 2/1/2005, and again on 8/31/05. There were times, prior to 2/01/2005, when cardholders did not have credit remaining on their cards and had others make purchases for them. At no time did any cardholder have their card used without express advance approval. Spending limits have been adjusted at July 1, 2005 so that secretaries, for example, have adequate credit limits to purchase for their departments. Spending limits will be adjusted, if needed, again on July 1, 2006, and annually, as administration continues to monitor needs of the cardholders. Cardholders will be reminded, at least annually, that they are not permitted to allow other people to use their cards.
>
> 2. Recommendation: require ECTS personnel to follow employee usage agreement procedures and the administration to monitor the program consistently.
>
>   Response: The administration reviewed the employee usage agreement at faculty meetings initially on 8/31/2004, again on 2/01/2005, and again on 8/31/05. The Administration reviews each individual purchase during each and every monthly billing cycle. Administration will review the usage agreement with all cardholders, at least annually, to restate that they are to follow the usage agreement in its entirety.

Finding (Continued)

3. Recommendation: require ECTS personnel to submit receipts to the ECTS for purchases made.

   Response: The employee usage agreement states "Cardholders are expected to comply with internal control procedures in order to protect school assets. This includes keeping receipts, reconciling PNC Visa Commercial Card monthly memo statements and following proper card security measures. Original receipts must be given to the ECTS Business Manager to document each purchase." The administration reiterated this rule at faculty meetings initially on 8/31/2004, again on 2/01/2005, and again on 8/31/05. The administration reviews each individual purchase for receipts and documentation during each and every monthly billing cycle.

4. Recommendation: provide staff training regarding the usage of the sales tax exemption number.

   Response: The employee usage agreement states "Purchases are exempt from PA sales and use tax. Inform your vendor that the PA sales tax exemption number is xx-xxxxx-x. This number is printed on the sticker on your card. Sales tax exemption certificates, if required by the vendor, are available from the Accounts Payable secretary in the Business Office." The administration reiterated this rule at faculty meetings initially on 8/31/2004, again on 2/01/2005, and again on 8/31/05. Additionally Administration reviews each individual purchase for payment of sales tax during each and every monthly billing cycle. A log is kept of sales tax paid and a petition for refund will be made annually. (A refund check was received from Pa Dept of Revenue for all sales tax paid during 04-05).

Finding (Continued)

5. Recommendation: Additionally, the JOC should revise the employee usage agreement to include more stringent security controls over the cards.

   Response: The employee usage agreement has been revised to state "Cardholders are required to maintain the procurement card in a safe and secure location. The cards may be kept in the Business Office until needed for making a purchase, if desired. Otherwise each cardholder is required to keep the card secure." It is the responsibility of the cardholder to keep his/her own card. If the card is lost then the agreement states "A lost or stolen card should be reported immediately by telephone to PNC Bank Customer Service at x-xxx-xxx-xxxx. This number is available 24 hours a day/7 days a week." The cards need to be available to users for internet, catalog, and store purchases at any time outside of the normal work day therefore administration will continue to permit cardholders to exercise control over their own cards.

   The procurement card program was instituted for the 2004-05 school year. The program was developed and implemented to improve the efficiency of purchasing and payment activities and to reduce processing expenses of producing requisitions, purchase orders and checks as well as to improve vendor relationships. The program has been very successful thus far and is expected to continue and improve. The first year of implementation (04-05) was expected to be a learning experience with modifications to policies and practices to be made as the system matured.

   ECTS administration recognizes that the internal controls that are established for use of the cards need to be consistently and diligently adhered to. Card usage has been closely monitored for appropriateness of goods and services being purchases and for proper documentation of purchases and budgetary accounting. Staff training will be conducted at least annually concerning the proper use of our procurement cards.

   Auditor recommendations are reasonable and reinforce management's position regarding the card program.

Finding (Continued)

For the current audit we tested transactions for a sample of 11 out of 43 cardholders for the 2005-06 school year and found the following:

- no evidence was noted of employees using other employees credit cards;
- administration reviews each individual purchase during each and every monthly billing cycle;
- review of 419 transactions noted 18 receipts had sales tax paid totaling $57; however, the technical school requested a refund of taxes paid and received a refund on January 17, 2007 from the Department of Revenue; and
- the Employee Usage Agreement was revised in August of 2006 adding point 16, which states, "Cardholders are required to maintain the procurement card in a safe and secure location. The cards may be kept in the Business Office until needed for making a purchase, if desired. Otherwise each cardholder is required to keep the card secure."

Based on the results of our current audit, we conclude that overall, the technical school did take appropriate corrective action to address this finding.

JACK WAGNER

AUDITOR GENERAL

ERIE COUNTY TECHNICAL SCHOOL
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The technical school reported it received state revenue of $814,815 and $803,052, respectively, for the years ended June 30, 2006 and 2005, as detailed in the following schedule:

	2006	2005
STATE REVENUE		
Vocational Education	$589,549	$639,573
Alternative Education	71,213	37,858
Social Security and Medicare Taxes	97,738	78,769
Retirement	56,315	46,852
TOTAL STATE REVENUE	$814,815	$803,052

SUPPLEMENTARY INFORMATION [UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

BUREAU OF SCHOOL AUDITS

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Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mr. John Godlewski
Director, Bureau of Budget and Fiscal Management
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

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

JACK WAGNER
AUDITOR GENERAL

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Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

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