

FOREST CITY REGIONAL SCHOOL DISTRICT  
SUSQUEHANNA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Ms. Mary Emmett, Board President  
Forest City Regional School District  
100 Susquehanna Street  
Forest City, Pennsylvania 18421

Dear Governor Corbett and Ms. Emmett:

We conducted a performance audit of the Forest City Regional School District (FCRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period November 6, 2009 through September 16, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 FCRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 12, 2012

cc: **FOREST CITY REGIONAL SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period November 6, 2009 through September 16, 2011, 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 2009-10 and 2008-09.

### **District Background**

The FCRSD encompasses approximately 95 square miles. According to 2000 federal census data, it serves a resident population of 5,905. According to District officials, in school year 2009-10 the FCRSD provided basic educational services to 911 pupils through the employment of 78 teachers, 50 full-time and part-time support personnel, and 15 administrators. Lastly, the FCRSD received more than \$5.9 million in state funding in school year 2009-10.

### **Audit Conclusion and Results**

Our audit found that the FCRSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

**Finding: Certification Deficiencies.** Our audit of professional employees' certification and assignments for FCRSD found two teachers with lapsed certificates for the 2010-11 school year (see page 6).

**Status of Prior Audit Findings and Observations.** There were no findings or observations included in our prior audit report.





## Audit Scope, Objectives, and Methodology

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### 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 November 6, 2009 through September 16, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

While all districts 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 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 FCRSD'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 audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Is the District'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 District?
- ✓ Did the District 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 District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

FCRSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

## Findings and Observations

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### Finding

*Criteria relevant to the finding:*

Section 1202 of the Public School Code provides, in part:

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

Section 2518 of the Public School Code provides, in part:

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

### Certification Deficiencies

Our audit of the Forest City Regional School District (FCRSD) professional employees' certification and assignments for the period August 26, 2010 through June 27, 2011, was conducted to determine compliance with Public School Code, the Bureau of School Leadership and Teacher Quality (BSLTQ), and the Department of Education's (DE) Certification and Staffing Policies and Guidelines. The audit found two professional employees were teaching with lapsed certificates for the 2010-11 school year.

Both individuals began teaching during the 2004-05 school year and continued teaching through the 2010-11 school year on a Level I certificate. Level I certificates are valid for six years, therefore both teachers taught during the 2010-11 school year with a lapsed certificate.

Subsequent to our completion of fieldwork, both employees did obtain their permanent certification (Level II) for the 2011-12 school year.

Information pertaining to the deficiencies was submitted to BSLTQ, DE, for its review. BSLTQ subsequently confirmed these deficiencies; the FCRSD is therefore subject to a subsidy forfeiture of \$5,440 for the 2010-11 school year.

### Recommendations

The *Forest City Regional School District* should:

Implement procedures to determine when Level I certificates are near their expiration date.

The *Department of Education* should:

Recover the subsidy forfeiture levied as a result of BSLTQ's determination.

### Management Response

Management stated the following:

The cause of the problem was a lack of oversight in reviewing our teacher certification levels on a consistent

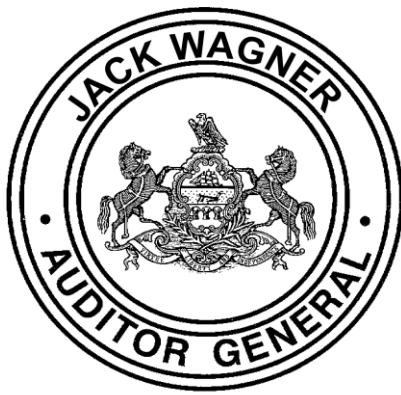
basis. The district has put a review system in place to address this deficiency.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Forest City Regional School District resulted in no findings or observations.



## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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