



HUNTINGDON AREA SCHOOL DISTRICT  
HUNTINGDON COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

AUGUST 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

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

Mr. Richard W. Scialabba, Board President  
Huntingdon Area School District  
2400 Cassady Avenue, Suite 2  
Huntingdon, Pennsylvania 16652

Dear Governor Corbett and Mr. Scialabba:

We conducted a performance audit of the Huntingdon Area School District (District) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 3, 2009 through January 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, 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 District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

EUGENE A. DEPASQUALE  
Auditor General

August 8, 2013

cc: **HUNTINGDON AREA SCHOOL DISTRICT** Board of School Directors

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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 Huntingdon Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period December 3, 2009 through January 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 2009-10 and 2008-09 school years.

### **District Background**

The District encompasses approximately 286 square miles. According to 2010 federal census data, it serves a resident population of 20,447. According to District officials, the District provided basic educational services to 2,107 pupils through the employment of 201 teachers, 112 full-time and part-time support personnel, and 13 administrators during the 2009-10 school year. Lastly, the District received \$11,790,339 in state funding in the 2009-10 school year.

### **Audit Conclusion and Results**

Our audit found that the District complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance related matters reported as findings. In addition, we identified one matter unrelated to compliance that is reported as an observation.

**Finding No. 1: Errors in Reporting Nonresident Pupil Membership Resulted in an Underpayment of Tuition for Foster Children of \$74,167.** Our audit of nonresident pupil membership for the 2009-10 school year found discrepancies in reports submitted to the Pennsylvania Department of Education. These errors resulted in a reimbursement underpayment to the Huntingdon Area School District of \$74,167 (see page 5).

**Finding No. 2: Certification Deficiencies.** Our audit of professional employees' certificates and assignments found two individuals were assigned to positions during the 2011-12 school year without possessing the proper certification (see page 7).

**Observation: The District Lacks Sufficient Internal Controls Over Its Student Data.** Our review of the District's controls over data integrity found that internal controls need to be improved (see page 8).

**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 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 3, 2009 through January 25, 2013, except for the verification of professional employee certification which was performed for the period August 31, 2010 through December 1, 2012.

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

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 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 District'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 audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Did the District 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?
- ✓ Did the District, 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?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties?

## **Methodology**

*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 District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we

*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.

obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with applicable state laws, regulations, 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 bus driver qualifications, professional employee certification, and financial stability.
- Items such as board meeting minutes and policies and procedures.

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

## Findings and Observations

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### **Finding No. 1** →

### **Errors in Reporting Nonresident Pupil Membership Resulted in an Underpayment of Tuition for Foster Children of \$74,167**

*Criteria relevant to the finding:*

The Public School Code, 24 P.S. § 25-2503, provides for Commonwealth payment of tuition for children placed in private homes.

The Pennsylvania Information Management System manual of reporting provides guidelines for the reporting of all residency classifications.

Our audit of the Huntingdon Area School District's (District) nonresident pupil membership for the 2009-10 school year found discrepancies in reports submitted to the Pennsylvania Department of Education (PDE). These errors resulted in an underpayment of \$74,167 in Commonwealth-paid tuition to the District for children placed in private homes (foster children).

For the 2009-10 school year, student data for foster children was under reported by 121 days for kindergarten membership, by 197 days for elementary membership, and by 1,350 days for secondary membership. These under reported numbers amounted to a total of \$74,167 in Commonwealth-paid tuition that the District did not receive.

The errors were caused by District personnel incorrectly reporting the "District Code of Residence" for the children in the Pennsylvania Information Management System (PIMS). District personnel responsible for entering student data into the PIMS system were not familiar with the PIMS residency code reporting guidelines.

The integrity and accuracy of the data reported to PDE is the responsibility of the District's management. Because District personnel were not properly trained and appropriate internal controls were not in place to identify incorrect data, the District is now subject to possible forfeiture of a portion of its state subsidy.

We have provided PDE with a report detailing the errors for use in recalculating the District's tuition for children placed in private homes.

### **Recommendations**

The *Huntingdon Area School District* should:

1. Review the PIMS manual of reporting for instructions on the proper reporting of nonresident students.



2. Review membership reports submitted to PDE for years subsequent to the audit, and if similar errors are found, submit revised reports to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations to correct the underpayment of \$74,167.

**Management Response**

Management provided a response agreeing with the finding and making no further comment.

## Finding No. 2

## Certification Deficiencies

### *Criteria relevant to the finding:*

The Public School Code, 24 P.S. § 12-1202, provides, in part:

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

24 P.S. § 25-2518 provides, in part:

“[A]ny school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Pennsylvania Department of Education but who has not been certificated for his position by the Pennsylvania 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.”

Our audit of the Huntingdon Area School District’s (District) professional employees’ certificates and assignments for the period August 31, 2010 through December 1, 2012, found that two individuals were assigned to positions during the 2011-12 school year without possessing the proper certification.

Information pertaining to the deficiencies was submitted to the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality (BSLTQ), for its review. On January 19, 2013, BSLTQ confirmed that the individuals were assigned to the positions without possessing the proper certification. Therefore, the District is subject to a subsidy forfeiture of \$4,934 for the 2011-12 school year.

The deficiencies were caused by the failure of the District’s prior administration to comply with PDE staffing guidelines.

It is the responsibility of the District’s management to ensure that its academic staff is properly trained and certified. A failure to maintain proper certification for professional employees jeopardizes both the District’s ability to ensure that students receive instruction from qualified employees, and its state subsidy.

## Recommendations

The *Huntingdon Area School District* should:

1. Take the necessary action required to ensure compliance with certification regulations.
2. Ensure only properly certified professionals, holding current and valid certificates, are permitted to work in the District.

The *Pennsylvania Department of Education* should:

3. Recover the subsidy forfeiture of \$4,934.

## Management Response

Management provided a response agreeing with the finding and making no further comment.

## Observation

### The District Lacks Sufficient Internal Controls Over Its Student Data

*Criteria relevant to the finding:*

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our review of the Huntingdon Area School District's (District) controls over data integrity found that internal controls need to be improved. Specifically, our review found that:

- The District incorrectly reported 15 nonresident students as resident students.
- The District does not maintain entry/withdrawal forms to support entry/withdrawal dates used for membership reporting.
- The District does not have adequate documented procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

Additionally, according to the *Federal Information System Controls Audit Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

## Recommendations

The *Huntingdon Area School District* should:

1. Develop documented procedures (e.g. procedure manuals, policies or other written instructions) to ensure continuity over PIMS data submission if responsible persons were to leave the District suddenly or otherwise be unable to upload PIMS data to PDE.
2. Read and become familiar with the PIMS manual.
3. Review membership reports submitted to PDE for years subsequent to our audit, and if similar errors are found, submit revised reports to PDE.

## Management Response

Management provided a response agreeing with the finding and making no further comment.

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

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**O**ur prior audit of the Huntingdon Area School District resulted in no findings or observations.

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditor.gen.state.pa.us](http://www.auditor.gen.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  
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