

CAMBRIA HEIGHTS SCHOOL DISTRICT  
CAMBRIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



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

Mr. George Haluska, Board President  
Cambria Heights School District  
426 Glendale Lake Road  
P.O. Box 6  
Patton, Pennsylvania 16668

Dear Governor Rendell and Mr. Haluska:

We conducted a performance audit of the Cambria Heights School District (CHSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 18, 2006 through June 25, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008, 2007, 2006 and 2005. 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 CHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We appreciate the CHSD's cooperation during the conduct of the audit.

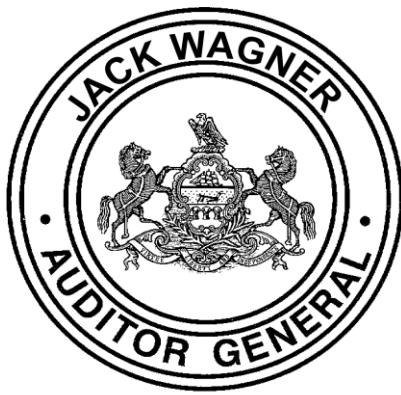
Sincerely,

/s/

JACK WAGNER  
Auditor General

January 26, 2010

cc: **CAMBRIA HEIGHTS SCHOOL DISTRICT** Board Members

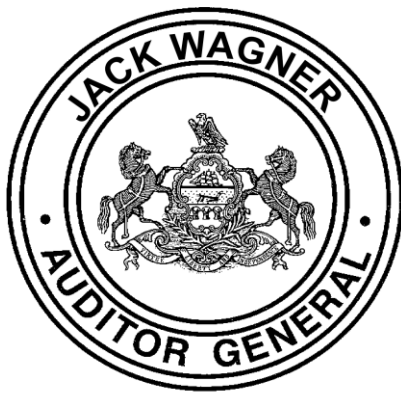


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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Cambria Heights School District (CHSD). 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 CHSD in response to our prior audit recommendations.

Our audit scope covered the period April 18, 2006 through June 25, 2009, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08, 2006-07, 2005-06 and 2004-05.

### **District Background**

The CHSD encompasses approximately 110 square miles. According to 2007 local census data, it serves a resident population of 10,299. According to District officials, in school year 2007-08 the CHSD provided basic educational services to 1,473 pupils through the employment of 115 teachers, 59 full-time and part-time support personnel, and 5 administrators. Lastly, the CHSD received more than \$12.2 million in state funding in school year 2007-08.

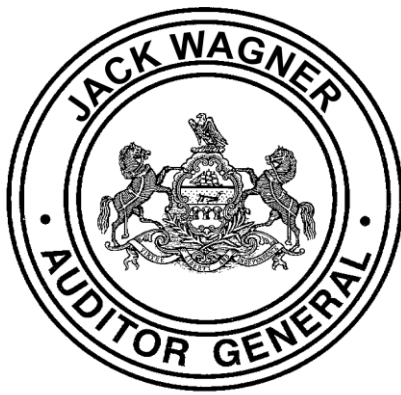
### **Audit Conclusion and Results**

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

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

**Observations.** With regard to the status of our prior audit recommendations to the CHSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found CHSD had taken appropriate corrective action in implementing our recommendations pertaining to vocational education membership reporting errors (see page 7), nonresident tuition billing (see page 7), errors in the CHSD's transportation reports (see page 8), and certification deficiencies (see page 8).

We also found CHSD had taken appropriate corrective action in implementing our recommendations pertaining to our observations of the amount paid to pupil transportation contractors and internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 9).





## 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 April 18, 2006 through June 25, 2009, except for the verification of professional employee certification which was performed for the period April 11, 2006 to April 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

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 CHSD'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?

*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.

- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CHSD 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, professional employee certification, and financial stability.
- Items such as Board meeting minutes and pupil membership records.
- Tuition receipts.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 14, 2008, we reviewed the CHSD's response to DE dated January 27, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Cambria Heights School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Cambria Heights School District (CHSD) for the school years 2003-04 and 2002-03 resulted in four findings and two observations, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the CHSD's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the CHSD did implement recommendations related to the findings and observations in our prior audit report.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding 1: Incorrect Reporting of Vocational Education Membership Resulted in an Underpayment of \$39,718 to the District</i></u></p> <ol style="list-style-type: none"> <li>1. Revise and resubmit pupil membership reports for the 2004-05 school year to correctly report the vocational programs.</li> <li>2. Reconcile 2004-05 vocational subsidy payments to the agreement to ensure that the District receives proper credit for payment made to the area vocational-technical school (AVTS).</li> <li>3. DE should adjust the District's vocational education subsidy (VES) as needed.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of vocational education membership for the 2003-04 school year found that District personnel incorrectly reported membership for students enrolled in the business/information/computer technology and production industry technology vocational programs, resulting in a VES underpayment to the AVTS and under the terms of the District's agreement with the AVTS, a subsequent failure to credit \$39,718 towards the District's payments to the AVTS for operating expenses.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that personnel changes had caused delays, but the District was in the process of revising and resubmitting the pupil membership reports for the 2004-05 school year to DE. As noted in the prior audit, the arrangement with the AVTS that led to the error ended after the 2004-05 school year.</p> <p>As of June 26, 2009, DE had not adjusted the VES; we again recommend that they do so, and that the District and the AVTS then resolve the required \$39,718 credit to the District.</p> <p>We will follow-up on these corrective actions during our next audit of the District.</p>
<p><u><i>II. Finding 2: District Failed to Bill for Nonresident Tuition</i></u></p> <ol style="list-style-type: none"> <li>1. Submit a tuition bill to the Ligonier Valley School District to recover tuition due for the 2002-03 school year.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the 2002-03 school year found that the District failed to bill tuition to the home district of a nonresident institutionalized student educated by the District.</p>	<p><b>Current Status:</b></p> <p>Our current audit determined that nonresident tuition was correctly billed by the District.</p>

<p>2. Institute a system of review to ensure all future nonresident tuition due the District is billed and received.</p>		<p>In May 2006, the District submitted a tuition bill to the Ligonier Valley School District and subsequently received payment for the tuition due.</p> <p>Based on our current audit we determined the District <u>did</u> take appropriate corrective action to address this finding.</p>
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<p><u>III. Finding 3: Continued Errors in the District's Transportation Reports</u></p> <p>1. Institute a review process to ensure the accuracy of all pupil transportation data received from the bus contractors and reported to DE.</p> <p>2. DE should adjust the District's future allocations to resolve the net overpayment of \$30,258.</p>	<p><b>Background:</b></p> <p>Our prior audit determined the District incorrectly reported pupil transportation data to DE for the 2003-04 and 2002-03 school years, resulting in a net overpayment of \$30,258.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District correctly reported pupil transportation data to DE.</p> <p>Based on our current audit we determined the District <u>did</u> take appropriate corrective action to address this finding.</p> <p>As of June 26, 2009, DE had not adjusted the District's subsidy to recover the transportation subsidy overpayment. We again recommend that DE makes the adjustment.</p>
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<p><u>IV. Finding 4: Certification Deficiencies</u></p> <p>1. Put procedures in place to compare employees' certifications to the certification requirements of the assignments the District intends to give to the employees.</p> <p>2. Require the individuals cited to obtain the proper certification for the assignments or reassign the employees to positions for which proper certification is held.</p>	<p><b>Background:</b></p> <p>Our prior audit of the professional employees' certification for the period March 1, 2004 through April 11, 2006, found that two employees were assigned to positions for which they were not certified.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that all professional staff hold valid teaching certificates and are assigned within the scope of their respective certification.</p> <p>Based on our current audit we determined the District <u>did</u> take appropriate corrective action to address this finding.</p> <p>In June 2008, DE adjusted the District's subsidy to assess subsidy forfeitures of \$500.</p>
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<p>3. DE should adjust the District's allocations to recover the appropriate subsidy forfeitures.</p>		
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<p><u>V. Observation 1: Amount Paid Pupil Transportation Contractors Exceeds Department of Education Final Formula Allowance</u></p> <p>1. Consider putting the transportation contract out for bid at the conclusion of the current contract in an attempt to bring costs in line with DE's final formula allowance.</p>	<p><b>Background:</b></p> <p>Our prior audit of the District's pupil transportation costs for the fiscal years ending June 30, 1999 through June 30, 2004, found the District's pupil transportation contracted costs increased substantially more than the rate of inflation over a six-year period. The amount paid to the District's transportation contractors increased at a faster rate than DE's inflation adjusted final formula allowance used to determine reimbursement for the District's pupil transportation services.</p>	<p><b>Current Status:</b></p> <p>Based on our current audit, we found that the District did not take corrective action and continued to sign transportation contracts without soliciting bids. We continue to recommend that prior to negotiating a new contract, the board and District administrators should be cognizant of the state's final formula allowance cost formula and routinely seek competitive bids for the District's pupil transportation services to ensure the most efficient cost to the District and its taxpayers.</p>
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<p><u>VI. Observation 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Driver's Qualifications</u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</p> <p>2. Implement written</p>	<p><b>Background:</b></p> <p>Our prior audit found that neither the District nor the transportation contractor had written policy or procedures in place to ensure that they were notified if current employees were charged with or convicted of serious criminal offenses which should be considered for the purpose of determining continued suitability to be in direct contract with children.</p>	<p><b>Current Status:</b></p> <p>On April 20, 2009, the board adopted a policy requiring notification of the District if current employees of the transportation contractors are charged with or convicted of serious crimes.</p> <p>Based on our current audit we determined the District <u>did</u> take appropriate corrective action to address this observation.</p>
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<p>policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p>		
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## **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:

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Harrisburg, PA 17120

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Harrisburg, PA 17126

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

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
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Senator Andrew Dinniman  
Democratic Chair  
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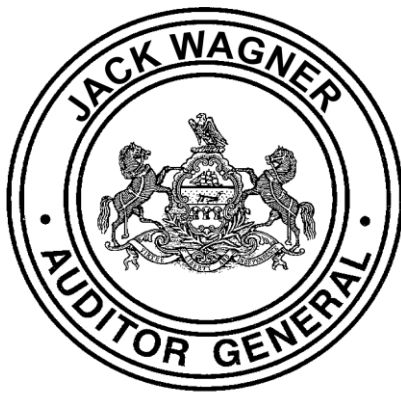
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