

NORTHERN CAMBRIA SCHOOL DISTRICT  
CAMBRIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

AUGUST 2010



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

Ms. Arlene DeSalvo, Board President  
Northern Cambria School District  
601 Joseph Street  
Northern Cambria, Pennsylvania 16714

Dear Governor Rendell and Ms. DeSalvo:

We conducted a performance audit of the Northern Cambria School District (NCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 8, 2006 through January 4, 2010, 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, as they were the most recent reimbursements subject to audit. 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 NCSD 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 NCSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve NCSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the NCSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

**JACK WAGNER**  
Auditor General

August 27, 2010

cc: **NORTHERN CAMBRIA 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 Northern Cambria School District (NCS D). 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 NCS D in response to our prior audit recommendations.

Our audit scope covered the period November 8, 2006 through January 4, 2010, 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 2004-03.

### **District Background**

The NCS D encompasses approximately 62 square miles. According to 2000 federal census data, it serves a resident population of 8,342. According to District officials, in school year 2007-08, the NCS D provided basic educational services to 1,238 pupils through the employment of 97 teachers, 74 full-time and part-time support personnel, and 9 administrators. Lastly, the NCS D received more than \$10.9 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

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

#### **Finding: Net Underpayment of \$9,240 in Nonpublic Pupil Transportation Subsidy.**

Errors in the reporting of nonpublic pupils transported by the NCS D resulted in a subsidy underpayment (see page 6).

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

**Observations.** With regard to the status of our prior audit recommendations to the NCS D from an audit we conducted of the 2003-04 and 2002-03 school years, we found the NCS D had taken appropriate corrective action in implementing our recommendations pertaining to tuition recovery (see page 7), nonpublic pupil transportation, Statements of Financial Interests (see page 8) and certification deficiencies (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 November 8, 2006 through January 4, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through November 17, 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 NCS D'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.

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), 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?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ 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**

*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.

*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.

NCSD 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, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on April 5, 2007, we reviewed the NCSD's response to DE dated May 20, 2008. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Net Underpayment of \$9,240 in Nonpublic Pupil Transportation Subsidy

*Criteria relevant to the finding:*

Section 2509.3 of the Public School Code provides, in part:

For the school year 2001-02 and each school year thereafter, each school district shall be paid the sum of three hundred eighty-five dollars (\$385) for each nonpublic school pupil transported.

Our audit of the 2007-08, 2006-07, 2005-06 and 2004-05 school years' pupil transportation data found the District incorrectly reported the number of nonpublic pupils transported for two years, resulting in an overpayment of \$4,235 for the 2005-06 school year and an underpayment of \$13,475 for the 2004-05 school year. The net effect was an underpayment of \$9,240 in nonpublic transportation subsidy.

Nonpublic pupil counts were overstated by 11 pupils for the 2005-06 school year and understated by 35 pupils for the 2004-05 school year. The errors were a result of improperly totaling the nonpublic pupils transported.

The number of nonpublic pupils reported for the 2007-08 and 2006-07 school years was accurate.

The number of nonpublic pupils transported must be accurately reported because it is the basis for the District's nonpublic pupil transportation subsidy.

We have provided the Department of Education (DE) a report detailing the errors for use in recalculating the District's nonpublic pupil transportation reimbursement.

### Recommendations

The *Northern Cambria School District* should:

Develop a system of review to ensure nonpublic pupil transportation data is accurately reported to DE for reimbursement.

The *Department of Education* should:

Adjust the District's future allocations to correct the net underpayment of \$9,240.

### Management Response

Management stated it agreed with the finding but made no further comment at the time of our audit.

## Status of Prior Audit Findings and Observations

Our prior audit of the Northern Cambria School District (NCSD) for the school years 2003-04 and 2002-03 resulted in four reported findings, 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 NCSD’s Board 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 NCSD did implement our recommendations related to the findings.

<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 No. 1: Failure to Recover Tuition Totaling \$15,230</i></u></p> <ol style="list-style-type: none"> <li>1. Strengthen controls to ensure tuition is billed in accordance with the requirements of the Public School Code.</li> <li>2. Bill the affected school districts to recover the tuition due.</li> <li>3. Review subsequent years’ pupil membership reports to ensure nonresident tuition students were properly reported and billed.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District’s nonresident tuition billings found that the District failed to bill the resident districts of several nonresident students educated by the District. The billing errors resulted in the District being owed nonresident tuition of \$13,347 and \$1,883 for the 2003-04 and 2002-03 school years, respectively.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the District’s nonresident tuition billing found no errors.</p> <p>Additionally, the District billed the affected schools to recover the tuition due noted in our prior audit.</p> <p>Therefore, we conclude the District did take appropriate corrective action.</p>

<p><u>II. Finding No. 2: Overpayment of \$8,085 in Nonpublic Pupil Transportation Subsidy</u></p> <ol style="list-style-type: none"> <li>1. District personnel responsible for pupil transportation reports should be required by the board to adopt procedures to retain supporting documentation for nonpublic pupils transported and perform an internal audit to ensure accuracy of data prior to submission of reports to DE.</li> <li>2. DE should adjust the District's future allocations to recover the overpayment of \$8,085.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the 2003-04 transportation data revealed the District incorrectly reported the number of nonpublic pupils transported, resulting in an overpayment of nonpublic pupil transportation subsidy of \$8,085.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the District's nonpublic pupil transportation data found errors, resulting in a net underpayment of \$9,240 for the 2005-06 and 2004-05 school years (see the finding on page 6).</p> <p>It should be noted; however, that the data for these school years was submitted to DE before we made our prior audit recommendations.</p> <p>No errors were noted for the 2007-08 and 2006-07 school years. Therefore, we conclude that the District did take appropriate corrective action as soon as possible.</p> <p>As of January 4, 2010, the overpayment of \$8,085 was pending final processing by DE.</p>
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<p><u>III. Finding No. 3: Board Members Failed to File their Statement of Financial Interests Forms Timely in Violation of the State Public Official and Employee Ethics Act</u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of the District's solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests.</li> <li>2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of District records found three ex-board members failed to file Statements of Financial Interests for the year ended December 31, 2005.</p> <p>Subsequent to our initial request, District personnel provided us with the three Statements of Financial Interests.</p>	<p><b>Current Status:</b></p> <p>Our current audit of the District's Statements of Financial Interests for the years ended December 31, 2008, 2007 and 2006 found that all board members filed their Statements of Financial Interests.</p> <p>Therefore, we conclude that the District did take appropriate corrective action.</p>
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<p><u>Objective No 2, Finding 1: Certification Deficiencies</u></p> <ol style="list-style-type: none"> <li>1. Put procedures in place to compare teachers' certification to the certification requirements of the assignments the District intends to give the teacher.</li> <li>2. Require the cited teachers to obtain proper certification as required for their positions or reassign them to areas in which they are properly certified.</li> <li>3. Require District personnel to submit job descriptions to DE's Bureau of School Leadership and Teacher Quality (BSLTQ) for locally-titled positions and adhere to BSLTQ's determination for properly staffing positions.</li> <li>4. DE should adjust the District's allocations to recover any subsidy forfeitures imposed on the District.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the professional employees' certification and assignments for the period July 1, 2004 through October 4, 2006, found six employees were assigned to positions without holding proper certification.</p>	<p><b>Current Status:</b></p> <p>Our current audit found no certification deficiencies.</p> <p>In addition, we confirmed that the teachers cited in the prior audit were reassigned or received proper certification after we found the deficiencies.</p> <p>Therefore, we conclude that the District did take appropriate corrective action.</p> <p>On May 30, 2008, \$2,629 was deducted from the District's basic education funding payment to assess the subsidy forfeitures.</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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The Honorable Robert M. McCord  
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