

PENN CAMBRIA SCHOOL DISTRICT
CAMBRIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2010

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

Mr. George Pyo, Board President
Penn Cambria School District
201 Sixth Street
Cresson, Pennsylvania 16630

Dear Governor Rendell and Mr. Pyo:

We conducted a performance audit of the Penn Cambria School District (PCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 7, 2007 through December 2, 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 PCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate PCSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

March 25, 2010

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



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Executive Summary

Audit Work

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

Our audit scope covered the period June 7, 2007 through December 2, 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

PCSD encompasses approximately 108 square miles. According to 2000 federal census data, it serves a resident population of 16,744. According to District officials, in school year 2007-08 PCSD provided basic educational services to 1,743 pupils through the employment of 126 teachers, 96 full-time and part-time support personnel, and 8 administrators. Lastly, PCSD received more than \$13.7 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that PCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to PCSD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the PCSD had taken appropriate corrective action in implementing our recommendations pertaining to board members' Statements of Financial Interests (see page 7).



Audit Scope, Objectives, and Methodology

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 June 7, 2007 through December 2, 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

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 PCSD'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:

- ✓ 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

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.

PCSD 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.

Our audit examined the following:

- Records pertaining to state ethics compliance, and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 26, 2007, we reviewed PCSD's response to DE dated January 20, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Penn Cambria School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Penn Cambria School District (PCSD) for the school years 2003-04 and 2002-03 resulted in one reported finding. The finding pertained to board members filing their Statements of Financial Interests. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed PCSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that PCSD did implement our recommendations related to board members filing their Statements of Financial Interests.

<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: Violation of the Public Official and Employee Ethics Act</i></u></p> <ol style="list-style-type: none"> 1. Seek the advice of the District's solicitor in regard to the board's responsibility when a board member fails to file Statements of Financial Interests. 2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act. 	<p>Background:</p> <p>Our prior audit of the board's Statements of Financial Interests found that one board member failed to file a Statements of Financial Interests with PCSD for the 2005 calendar year.</p>	<p>Current Status:</p> <p>Our current audit found that the board member cited in the prior audit submitted his Statements of Financial Interests for 2005 in April of 2008. In addition, all board members filed their statements for calendar years 2008 and 2007.</p> <p>The board adopted procedures to ensure that all individuals required to file Statements of Financial Interests do so.</p> <p>Based on the results of our current audit, we concluded that PCSD did take appropriate corrective action to address this finding.</p>



Distribution List

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

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