

PORTAGE AREA SCHOOL DISTRICT  
CAMBRIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

NOVEMBER 2010



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

Mrs. Kathy Hough, Board President  
Portage Area School District  
84 Mountain Avenue  
Portage, Pennsylvania 15946

Dear Governor Rendell and Mrs. Hough:

We conducted a performance audit of the Portage Area School District (PASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 11, 2008 through February 26, 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 and June 30, 2007. 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 PASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the 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 PASD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve PASD's operations and facilitate compliance with legal and administrative requirements. We appreciate the PASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

November 5, 2010

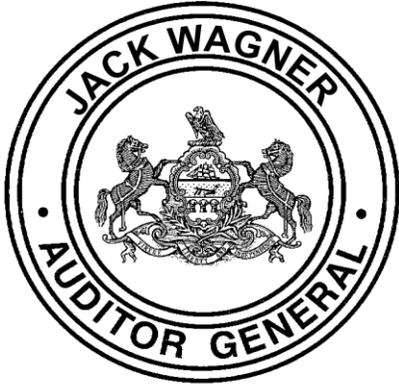
cc: **PORTAGE AREA SCHOOL DISTRICT** Board Members

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

Our audit scope covered the period July 11, 2008 through February 26, 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 and 2006-07.

### **District Background**

The PASD encompasses approximately 28 square miles. According to 2000 federal census data, it serves a resident population of 6,879. According to District officials, in school year 2007-08 the PASD provided basic educational services to 995 pupils through the employment of 80 teachers, 11 full-time and part-time support personnel, and 6 administrators. Lastly, the PASD received more than \$7.8 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the PASD 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: Certification Deficiency.** Our audit found that one teacher assigned to a position without proper certification (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the PASD from an audit we conducted of the 2005-06 and 2004-05 school years, we found there were no findings or observations.



## 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 July 11, 2008 through February 26, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2008 through February 26, 2010.

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

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 PASD'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?
- ✓ Is the District's pupil transportation department, including any contracted vendor's, 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?

## 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.

PASD 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 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 PASD operations.

## Findings and Observations

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### Finding

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*Criteria relevant to the finding:*

Section 1202 of the Public School Code (PSC) 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 PSC 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 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 Deficiency

Our audit of professional employees' certification for the period July 1, 2008 through February 26, 2010, found one professional employee was assigned to a position for which she was not certified. The individual was performing the duties of a school nurse without a school nurse certificate. She is, however, a licensed registered nurse.

Information pertaining to the certificate and assignment in question was submitted to the Bureau of School Leadership and Teacher Quality (BSLTQ), Department of Education (DE) for its review. Subsequently, BSLTQ determined the individual was not properly certified; the District is therefore subject to a subsidy forfeiture of \$1,170 for the 2008-09 school year. The subsidy forfeiture for the 2009-10 school year could not be calculated because the aid ratio necessary for the calculation was not yet available.

The certification deficiency occurred because the administration failed to accurately monitor assignments for its professional personnel.

### Recommendations

The *Portage Area School District* should:

Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.

The *Department of Education* should:

Adjust the District's allocations to recover the appropriate subsidy forfeitures.

**Management Response**

Management stated the following.

The Portage Area School District, in its attempt to provide a safer and more secure environment for our student population, hired a healthcare assistant in the 2007-08 school year. This position was to assist our school nurse in the daily duties of health care for students in one of the two district buildings since, at any given time prior to this, a building was without any type of medical personal for half of the school day. In one particular case a second grade student was having a seizure and had to be cared for by professional and para-professional staff members until paramedics arrived on scene.

After public advertisement and a rigorous interviewing process the position was awarded to a very competent registered nurse who had served the district as a day-to-day and long-term substitute in this position. She was clearly the best candidate—a very caring, diligent and loyal worker. The assistant was under the supervision of our school nurse who was readily available due to the close proximity of the buildings on our campus. Also, there was an understanding that this person would continue their professional development to complete the requirements for the school nurse certification which she has been doing and will be completed within the next year.

In the interim, and as a result of our school nurse going on medical leave, we have applied for an emergency certificate for this position in order to be compliant for the remainder of the 2009-10 school year and possibly at the start of the 2010-11 school year. It is our hope that the department views our efforts to provide full coverage for all district students as worthy of an exception with the full knowledge that we have, from the outset, attempted to meet and are working towards fulfillment of the requirements of this certification area.

It is with this in mind that the school district disagrees with this finding and would hope that the Department of Education looks favorably on our efforts to do what is best for the students and staff of the Portage Area School District.

**Auditor Conclusion**

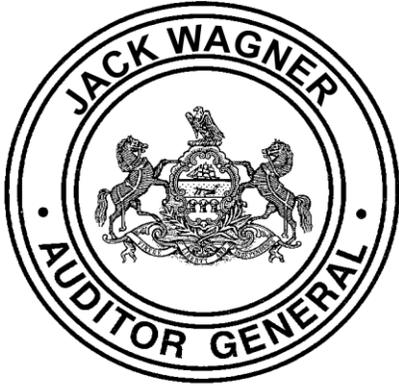
Management's response to our finding was prepared prior to issuance of BSLTQ's July 1, 2010 determination, in which BSLTQ noted that an emergency certificate was issued effective February 1, 2010. However, the District was out of compliance from November 2008 until that time, so the finding will stand.

Any further disagreement on the part of the District must be addressed to DE.

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

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**O**ur prior audit of the Portage Area School District for the school years 2005-06 and 2004-05 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 Edward G. Rendell  
Governor  
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Harrisburg, PA 17120

The Honorable Thomas E. Gluck  
Acting Secretary of Education  
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