



**PORTAGE AREA SCHOOL DISTRICT
CAMBRIA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JANUARY 2014

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. Erik Thrower, Board President
Portage Area School District
908 Webster Avenue
Portage, Pennsylvania 15946

Dear Governor Corbett and Mr. Thrower:

We conducted a performance audit of the Portage Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period February 26, 2010 through October 24, 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, 2012, 2011, 2010, and 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 relevant requirements, except as detailed in one (1) finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding 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,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

January 3, 2014

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

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Portage Area School District (District) in Cambria County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period February 26, 2010 through October 24, 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 2011-12, 2010-11, 2009-10, and 2008-09 school years.

District Background

The District encompasses approximately 28 square miles. According to 2010 federal census data, it serves a resident population of 6,425. According to District officials, the District provided basic educational services to 957 pupils through the employment of 81 teachers, 44 full-time and part-time support personnel, and six (6) administrators during the 2011-12 school year. Lastly, the District received \$8.3 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except one (1) compliance related matter reported as a finding.

Finding: Failure to Develop New Memorandums of Understanding with Local Law Enforcement Agencies.

Our audit of the Portage Area School District (District) records found that the District failed to enter into a new Memorandums of Understanding (MOU) between the District and all local law enforcement agencies having jurisdiction over school property. (see page 5).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Portage Area School District (District) from an audit released on November 5, 2010, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to a possible certification deficiency (see page 8).

Audit Scope, Objectives, and Methodology

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 Section 403 of The Fiscal Code, 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 February 26, 2010 through October 24, 2013, except for the verification of professional employee certification which was performed for the period July 1, 2013 through September 18, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2010-11, 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 certain relevant 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 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, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were votes made by the District’s Board of School Directors free from apparent conflicts of interest?
- ✓ 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?
- ✓ Were there any declining fund balances that may pose a risk to the District’s fiscal viability?
- ✓ 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 there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 certain relevant state 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 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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District’s internal controls, including any information technology controls, as they relate to the District’s compliance with relevant requirements 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 controls 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 pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 5, 2010, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

Failure to Develop New Memorandums of Understanding with Local Law Enforcement Agencies

Criteria relevant to the finding:

Section 1303-A(c) of the *Public School Code (PSC)*, 24 P.S. § 13-1303-A(c), amended November 17, 2010, with an effective date of February 15, 2011, provides, in part:

“ . . . each chief school administrator **shall enter** into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. The Memorandum of Understanding shall be signed by the chief school administrator, the chief of police of the police department with jurisdiction over the relevant school property and principals of each school building of the school entity. . . .”

The “office” refers to the Office for Safe Schools established within the Pennsylvania Department of Education through Section 1302-A(a) of the *PSC*, 24 P.S. § 13-1302-A(a). The term “biennially” means “an event that occurs every two years.”

Our audit of the Portage Area School District’s (District) records found that the District failed to enter into new Memorandums of Understanding (MOU) between the District and all local law enforcement agencies having jurisdiction over school property.. As seen in the criteria section of this finding, the District was required to enter into new MOUs with the local law enforcement agencies that comply with Section 1303-A of the Public School Code (PSC). Our testing determined that the District was still relying on MOUs, between the District and local law enforcement agencies, which were originally agreed to in 2008. As a result the new terms required by Section 1303-A were not included in the MOUs.

The failure to enter into a new MOU with pertinent local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and local law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Noncompliance with the statutory requirement to have a MOU could have an impact on local law enforcement agencies notification and response, and ultimately, the resolution of a problem situation.

Moreover, recently enacted amendments to the safe schools provisions of the Public School Code (PSC) expanded the requirements to develop a MOU with the local law enforcement agencies. Now, beginning with the first filing deadline of June 30, 2011, public schools must biannually update and re-execute these MOUs and file them with the Pennsylvania Department of Education’s (PDE) Office of Safe Schools on a biannual basis. Consequently, this failure to have developed a MOU with its local law enforcement agencies resulted in noncompliance with the additional MOU requirements that were enacted November 17, 2010.

*Criteria relevant to the finding
(continued):*

Prior to the effective date of the above referenced enactment of the Memorandum of Understanding requirements, all public schools were required to **develop** a Memorandum of Understanding with local law enforcement. The effective date of this amended provision was February 15, 2011.

Our discussions with District officials found that the District was not aware of the enactment of the new Safe Schools Law provisions. The officials indicated that they would be starting the process of developing updated MOUs with the respective local law enforcement agencies,.

Recommendations

The *Portage Area School District* should:

1. Develop a MOU between the District and all local law enforcement agencies having jurisdiction over school property pursuant to the terms prescribed by the PSC.
2. In consultation with the District's solicitor, review new requirements for MOUs and other school safety areas under the PSC to ensure compliance with amended Safe Schools provisions enacted November 17, 2010, with an effective date of February 15, 2011.
3. Adopt a board policy requiring the District's administration to develop a MOU with all local law enforcement agencies having jurisdiction over school property, biennially update, re-execute each MOU, and file a copy with PDE's Office of Safe Schools on a biennial basis.
4. In consultation with the District's solicitor, continue to review, update, and re-execute the current MOUs between the District and all local law enforcement agencies having jurisdiction over school property.

Management Response

Management stated the following:

"We were conducting matters regarding the district's MOU and all local law enforcement entities having jurisdiction within the district, namely the [local police department] and the Pennsylvania State Police, with the understanding that the MOU would renew automatically every two years beginning in 2008. Furthermore, we were unaware of the change in the legislation in 201[0] that mandates a review and a physical renewal of the MOU every two years.

It is the intent of the district to comply and execute a new MOU with approval by the board of directors taking place at their regularly scheduled meeting on January 8, 2014. At that time a copy of this signed agreement will be forwarded to your office.”

Status of Prior Audit Findings and Observations

Our prior audit of the Portage Area School District (District) released on November 5, 2010, resulted in one (1) finding. The finding pertained to a certification deficiency. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding. As shown below, we found that the District did implement our recommendations related to a certification deficiency.

Auditor General Performance Audit Report Released on November 5, 2010

Finding:	Certification Deficiency
<u>Finding Summary:</u>	The certification deficiency occurred because the administration failed to accurately monitor assignments for its professional personnel.
<u>Recommendations:</u>	<p>Our audit finding recommended that the District should:</p> <p>Assign positions to professional personnel who hold appropriate certification to qualify for the assignment.</p> <p>We also recommended that the Pennsylvania Department of Education (PDE) should:</p> <p>Adjust the District's allocations to recover the appropriate subsidy forfeitures.</p>
<u>Current Status:</u>	During our current audit, we found that the District did implement our prior recommendations and that PDE had withheld the subsidy forfeiture of \$2,004.16.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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

The Honorable Carolyn Dumaesq
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
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The Honorable Robert M. McCord
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.