

TAMAQUA AREA SCHOOL DISTRICT  
SCHUYLKILL COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2009



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

Mr. Larry Wittig, Board President  
Tamaqua Area School District  
138 West Broad Street  
P.O. Box 112  
Tamaqua, Pennsylvania 18252

Dear Governor Rendell and Mr. Wittig:

We conducted a performance audit of the Tamaqua Area School District (TASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period January 22, 2007 through March 19, 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, 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 TASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the TASD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/  
JACK WAGNER  
Auditor General

October 2, 2009

cc: **TAMAQUA 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 Tamaqua Area School District (TASD). 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 TASD in response to our prior audit recommendations.

Our audit scope covered the period January 22, 2006 through March 19, 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 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

### **District Background**

The TASD encompasses approximately 123 square miles. According to 2000 federal census data, it serves a resident population of 17,042. According to District officials, in school year 2007-08 the TASD provided basic educational services to 2,284 pupils through the employment of 164 teachers, 101 full-time and part-time support personnel, and 21 administrators. Lastly, the TASD received more than \$10 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the TASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, our audit of the TASD 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 TASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the TASD had taken appropriate corrective action in implementing our recommendations pertaining to school board members failing to file their Statements of Financial Interests forms (see page 7).





## 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 January 22, 2007 through March 19, 2009, except for the verification of professional employee certification which was performed for the period September 20, 2006 through January 29, 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 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 T ASD'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?

*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 pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ 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?
- ✓ 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?
- ✓ 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 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

TASD 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, bus driver qualifications, 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 TASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 19, 2008, we reviewed the TASD's response to DE dated April 9, 2008. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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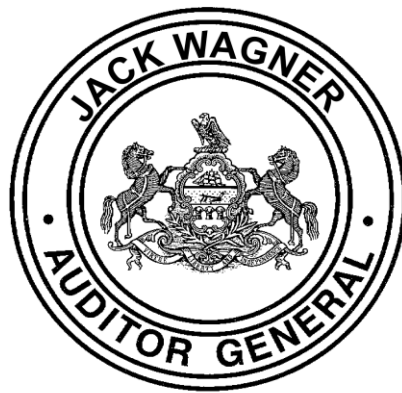
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**F**or the audited period, our audit of the Tamaqua Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observations

Our prior audit of the Tamaqua Area School District (TASD) for the school years 2003-04 and 2002-03 resulted in a finding. The finding pertained to board members failing to file their Statements of Financial Interests forms. We determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the TASD superintendent's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the TASD did implement recommendations related to board members failing to file their Statements of Financial Interests forms.

<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: Board Members Failed to File Their Statements of Financial Interests Forms in Violation of the Ethics Act</i></u></p> <ol style="list-style-type: none"> <li>1. Seek the advice of its solicitor in regard to the board's responsibility when board members fail to file or fail to file in a timely manner their Statement of Financial Interests forms.</li> <li>2. Develop procedures to ensure all individuals required to file Statement of Financial Interests forms do so in compliance with the Ethics Act.</li> </ol>	<p><b>Background:</b></p> <p>Our review of District records for calendar years ended December 31, 2005, 2004 and 2003 found that three board members in 2005, two board members in 2004, and one board member in 2003 failed to file their Statements of Financial Interests forms.</p>	<p><b>Current Status:</b></p> <p>We followed up on the board's financial interest statements for the calendar years ended December 31, 2007 and 2006. We found that TASD <u>did</u> take appropriate corrective action to address our prior recommendations.</p>



## **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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The Honorable Gerald Zahorchak, D.Ed.  
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The Honorable Robert M. McCord  
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