

KENNETT CONSOLIDATED SCHOOL DISTRICT
CHESTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2011

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

Mrs. Heather Schaen, Board President
Kennett Consolidated School District
300 East South Street
Kennett Square, Pennsylvania 19348

Dear Governor Corbett and Mrs. Schaen:

We conducted a performance audit of the Kennett Consolidated School District (KCSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period November 20, 2008 through December 3, 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 KCSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 15, 2011

cc: **KENNETT CONSOLIDATED 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 Kennett Consolidated School District (KCS 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 KCS D in response to our prior audit recommendations.

Our audit scope covered the period November 20, 2008 through December 3, 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 KCS D encompasses approximately 35 square miles. According to 2000 federal census data, it serves a resident population of 27,124. According to District officials, in school year 2007-08 the KCS D provided basic educational services to 4,128 pupils through the employment of 320 teachers, 207 full-time and part-time support personnel, and 16 administrators. Lastly, the KCS D received more than \$10.1 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the KCS D 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 the KCS D from an audit we conducted of the 2005-06 and 2004-05 school years, we found the KCS D had taken appropriate corrective action in implementing our recommendations pertaining to a bus driver operating a school bus with an expired license, and partially implemented our recommendations pertaining to Memoranda of Understanding not being updated in a timely manner (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 November 20, 2008 through December 3, 2010, except for the verification of professional employee certification which was performed for the period October 8, 2008 through October 31, 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 (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 the KCSD'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 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

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.

KCSD's 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 and pupil transportation.

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 were reviewed.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 13, 2009, we reviewed the KCSD's response to DE dated May 10, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

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

Status of Prior Audit Findings and Observations

Our prior audit of the Kennett Consolidated School District (KCSD) for the school years 2005-06 and 2004-05 resulted in one finding and one observation. The finding pertained to a bus driver operating a school bus with an expired license and the observation pertained to Memoranda of Understanding not being updated in a timely manner. 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 KCSD Board's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the KCSD did implement recommendations related to the bus driver operating a school bus with an expired license and pertaining to Memoranda of Understanding not being updated in a timely manner.

School Years 2005-06 and 2004-05 Auditor General Performance Audit Report

Finding: **School Bus Driver Lacked Required Drivers License**

Finding Summary: Our prior audit of bus drivers' qualifications found that one bus driver's commercial driver's license with a 'S' endorsement expired prior to the start of the 2008-09 school year.

Recommendations: Our audit finding recommended that the KCSD:

1. Ensure that the District's transportation coordinator reviews each driver's qualifications prior to that person transporting students, including in the review a determination that all drivers' licenses are current and include the "S" endorsement.

Current Status: Our current audit found that the KCSD implemented our recommendation, ensuring that all bus and van drivers are properly licensed.

Observation: **Memoranda of Understanding Not Updated Timely**

Observation Summary: Our prior audit of the KCSD records found that the Memoranda of Understanding (MOU) with two local law enforcement agencies and the Pennsylvania State Police were signed July 6, 2000, July 5, 2000 and July 5, 2000, respectively, and had not been reviewed and updated.

Recommendations:

Our audit observation recommended that the KCSD:

1. Review, update and re-execute the current MOUs between the District, local law enforcement agencies and the Pennsylvania State Police.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Current Status:

Our current audit found that the KCSD reviewed, updated and re-executed the MOUs. However, the school board has not adopted a policy to review and re-execute the MOU's every two years as recommended. Therefore, we again recommend that the board adopt policy requiring the administration to review and re-execute the MOUs every two years.

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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