

NESHAMINY SCHOOL DISTRICT
BUCKS COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

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

Mr. Ritchie Webb, Board President
Neshaminy School District
2001 Old Lincoln Highway
Langhorne, Pennsylvania 19047

Dear Governor Rendell and Mr. Webb:

We conducted a performance audit of the Neshaminy School District (NSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period July 27, 2007 through April 23, 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 NSD 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 NSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve NSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the NSD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

December 9, 2010

cc: **NESHAMINY SCHOOL DISTRICT** Board Members

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	3
Findings and Observations	6
Finding – Internal Control Weakness Regarding Memoranda of Understanding	6
Status of Prior Audit Findings and Observations	8
Distribution List	9



Executive Summary

Audit Work

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

Our audit scope covered the period July 27, 2007 through April 23, 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 NSD encompasses approximately 28 square miles. According to 2000 federal census data, it serves a resident population of 69,638. According to District officials, in school year 2007-08 the NSD provided basic educational services to 8,963 pupils through the employment of 723 teachers, 521 full-time and part-time support personnel, and 52 administrators. Lastly, the NSD received more than \$30.3 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the NSD 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: Internal Control Weakness Regarding Memoranda of

Understanding. Our audit of the NSD's records found that the Memorandum of Understanding between the NSD and local law enforcement agencies have not been updated in over two years (see page 6).

Status of Prior Audit Findings and Observations. Our prior audit for school years 2005-06, 2004-05, 2003-04, and 2002-03 resulted in no findings or observations.



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 July 27, 2007 through April 23, 2010, except for the verification of professional employee certification which was performed for the period April 18, 2007 through March 12, 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 NSD'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?
- ✓ 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.

NSD 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 area of state subsidies/reimbursement and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, and financial stability.
- Board meeting minutes.
- Deposited state funds.

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

Findings and Observations

Finding

Criteria relevant to the finding:

The MOUs with the District's local law enforcement agencies states at section VI, item B:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter (emphasis added).

Internal Control Weakness Regarding Memoranda of Understanding

Our audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and its local law enforcement agencies were dated March 27, 2007 and have not been updated as of our fieldwork completion date, April 23, 2010.

The failure to update MOUs with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Neshaminy School District* should:

1. Review, update and re-execute the current MOUs between the District and local law enforcement agencies.
2. Follow the General Provisions of the District's MOUs (Section VI, item B) which state the MOUs must be reviewed and re-executed within two years of the date of their original execution and every two years thereafter.
3. Adopt an official board policy requiring the administration to review and re-execute the MOUs every two years as stated in the current MOUs.

Management Response

Management stated the following:

[The Administration's] understanding of the non-renewal of the MOU with [local law enforcement agencies] is that it was due to the transition of personnel responsible for this area. The previous employee . . . retired in January 2009. The new and currently assigned employee . . . came to the position February 5, 2009.

The MOU has since been reviewed and will be renewed with both townships for a two year period.

Status of Prior Audit Findings and Observations

Our prior audit of the Neshaminy School District for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in no findings or observations.

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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