

OWEN J. ROBERTS SCHOOL DISTRICT
CHESTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2011

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

Mr. John W. Stone, Board President
Owen J. Roberts School District
901 Ridge Road
Pottstown, Pennsylvania 19465

Dear Governor Corbett and Mr. Stone:

We conducted a performance audit of the Owen J. Roberts School District (OJRSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 15, 2006 through April 27, 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, 2007, 2006 and 2005. 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 District complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

April 20, 2011

cc: **OWEN J. ROBERTS 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 Owen J. Roberts School District (OJRSD). 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 District in response to our prior audit recommendations.

Our audit scope covered the period September 15, 2006 through April 27, 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, 2006-07, 2005-06 and 2004-05.

District Background

The OJRSD encompasses approximately 111 square miles. According to a 2008 local census data, it serves a resident population of 32,781. According to District officials, in school year 2007-08 the OJRSD provided basic educational services to 4,735 pupils through the employment of 358 teachers, 192 full-time and part-time support personnel, and 48 administrators. Lastly, the District received more than \$12.5 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the District 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 OJRSD, we found the OJRSD had taken appropriate corrective action in implementing our recommendations pertaining to the OJRSD granting the business administrator a leave of absence/sabbatical in violation of the Public School Code (see page 6).



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 September 15, 2006 through April 27, 2010.

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 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 District'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:

- ✓ 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.

District 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.

Our audit examined items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 14, 2008, we reviewed the OJRSD's response to DE dated January 26, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Owen J. Roberts School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Owen J. Roberts School District (OJRSD) for the school years 2003-04 and 2002-03 resulted in one reported finding. 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 OJRSD Board’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 OJRSD did implement recommendations related to the District granting the business administrator a leave of absence/sabbatical in violation of the Public School Code.

<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: The District Granted the Business Administrator a Leave of Absence/Sabbatical in Violation of the Public School Code</i></u></p> <ol style="list-style-type: none"> 1. Ensure that future leaves of absences/sabbaticals are granted to employees in compliance with the requirements of the Public School Code (PSC). 2. Determine if the District should recover the salary and benefits paid to the Business Administrator (BA) for the 2006-07 fiscal year. 3. The Pennsylvania State Employees’ Retirement System (PSERS) should take whatever action it may deem appropriate with regard to the District’s contributions to the BA’s retirement account during the 2006-07 fiscal year. 	<p>Background:</p> <p>Our prior audit of District records and supporting documentation found that the school board violated the PSC when it placed the former BA on a leave of absence/sabbatical for 2006-07 fiscal year. Under the terms of the resolution approved by the board, the BA did not agree to return to employment with the District following the leave of absence/sabbatical.</p>	<p>Current Status:</p> <p>Our current audit found that the District:</p> <ol style="list-style-type: none"> 1. Ensured that leaves of absence/sabbaticals were granted to employees in compliance with the PSC. 2. Determined that the salary and benefits paid to the BA should be recovered. On March 17, 2008, the District through its solicitor requested repayment of the salary and benefits paid for the 2006-07 fiscal year. However, on April 10, 2008, the BA through his attorney declined to repay any funds to the District, and the District’s solicitor determined that further litigation was not an option. <p>In addition, PSERS determined that the BA’s wages for the 2006-07 fiscal year were non-retirement covered compensation and adjusted the BA’s member account accordingly.</p>

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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