

SPRING-FORD AREA SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MAY 2012

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

Mr. Thomas J. DiBello, Board President
Spring-Ford Area School District
857 South Lewis Road
Royersford, Pennsylvania 19468

Dear Governor Corbett and Mr. DiBello:

We conducted a performance audit of the Spring-Ford Area School District (SFASD) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period May 1, 2009 through January 6, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 SFASD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

May 7, 2012

cc: **SPRING-FORD AREA 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 Spring-Ford Area School District (SFASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SFASD in response to our prior audit recommendations.

Our audit scope covered the period May 1, 2009 through January 6, 2012, 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 2009-10 and 2008-09.

District Background

The SFASD encompasses approximately 44 square miles. According to 2010 federal census data, it serves a resident population of 47,368. According to District officials, in school year 2009-10 the SFASD provided basic educational services to 7,692 pupils through the employment of 595 teachers, 998 full-time and part-time support personnel, and 36 administrators. Lastly, the SFASD received more than \$20.8 million in state funding in school year 2009-10.

Audit Conclusion and Results

Our audit found that the SFASD complied, in all significant respects, with applicable state laws, 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 SFASD from an audit we conducted of the 2007-08, 2006-07, 2005-06 and 2004-05 school years, we found the SFASD had partially taken appropriate corrective action in implementing our recommendations pertaining to the Memoranda of Understanding not being updated timely (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 May 1, 2009 through January 6, 2012.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 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 SFASD's compliance with applicable state laws, 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:

- ✓ 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 the areas where the District receives transportation subsidies, is the District and any contracted vendors in compliance with applicable state laws and procedures?

- ✓ Did the District, and any contracted vendors, ensure that its current bus drivers are properly qualified, and does it have written policies and procedures governing the hiring of bus drivers?
- ✓ Are there any declining fund balances that may impose risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and does 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?
- ✓ 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, 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, observations and conclusions based on our audit objectives.

SFASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, 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 and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 3, 2009, we reviewed the SFASD's response to DE dated February 12, 2010. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Spring-Ford Area School District resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Spring-Ford Area School District (SFASD) for the school years 2007-08, 2006-07, 2005-06 and 2004-05 resulted in one observation. The observation pertained to the Memoranda of Understanding not being updated timely. 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 SFASD Superintendent's written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observation. As shown below, we found that the SFASD did implement recommendations related to Memoranda of Understanding not being updated timely.

School Years 2007-08, 2006-07, 2005-06 and 2004-05 Auditor General Performance Audit Report

Observation: Memoranda of Understanding Not Updated Timely

Observation

Summary:

Our prior audit of the District's records found that the Memoranda of Understanding (MOU) between SFASD and the local law enforcement agencies had not been updated in over two years.

Recommendations:

Our audit observation recommended that the SFASD:

1. In consultation with the District's solicitor, review, update and re-execute the current MOUs between the District and the local law enforcement agency having jurisdiction over school property.
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 SFASD partially implemented our recommendations by reviewing, updating and re-executing the MOUs in June 2011. However, the General Provisions of the MOUs at Section VI A provides in part: ". . . this Memorandum will remain in effect for five (5) years, unless any of the parties wish to withdraw from or modify this Memorandum." Alternatively, Section 13-1303-A(c) of the Public School Code, as 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. . . ."

Therefore, SFASD should revise their MOU to reflect the changes that went into effect on February 15, 2011 requiring a biennial update.

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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