



**MARPLE NEWTOWN SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

JUNE 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Kathryn Chandless, Board President
Marple Newtown School District
40 Media Line Road
Newtown Square, Pennsylvania 19073

Dear Governor Corbett and Ms. Chandless:

We conducted a performance audit of the Marple Newtown School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period April 23, 2010 through October 2, 2013, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2009, 2010, 2011, and 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 relevant requirements, except as detailed in the one (1) finding noted in this report. In addition, we identified one (1) matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding, observation, and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

June 26, 2014

cc: **MARPLE NEWTOWN SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Marple Newtown School District (District) in Delaware County. Our audit sought to answer certain questions regarding the District's compliance with certain relevant 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 April 23, 2010 through October 2, 2013, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

District Background

The District encompasses approximately 21 square miles. According to 2010 federal census data, it serves a resident population of 35,663. According to District officials, the District provided basic educational services to 3,307 pupils through the employment of 301 teachers, 329 full-time and part-time support personnel, and 27 administrators during the 2011-12 school year. The District received \$\$9.9 million in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, except for one (1) compliance related matter reported as a finding. In addition, we identified one (1) matter unrelated to compliance that is reported as an observation.

Finding: The District Lacks Sufficient Internal Controls Over Its Student Record Data.

Our audit of the Marple Newtown School District's (District) student data reporting process found a lack of internal controls, which resulted in the District reporting inaccurate information to the Pennsylvania Department of Education (see page 6).

Observation: Internal Control Weaknesses Over Bus Drivers' Qualifications Records.

Our audit of the Marple Newtown School District's (District) bus drivers' qualifications records for the 2008-09 through 2011-12 school years determined that the District did not sufficiently safeguard its records (see page 9).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the Marple Newtown School District (District) from an audit released on January 4, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus

drivers' qualifications (see page 12). We also found that the District had taken appropriate corrective action in implementing our recommendations pertaining to internal control weaknesses regarding Memoranda of Understanding (see page 13).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 April 23, 2010 through October 2, 2013.

Regarding state subsidies and reimbursements, our audit covered the 2008-09, 2009-10, 2010-11, and 2011-12 school years.

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 Pennsylvania Department of Education (PDE) 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 District's compliance with certain relevant 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:

- ✓ In areas where the District received transportation subsidies, was the District, and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?

- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audit?

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, state ethics compliance, financial stability, reimbursement applications, tuition receipts, and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on January 4, 2011, we reviewed the District's response to PDE dated March 24, 2011. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

The District Lacks Sufficient Internal Controls Over Its Student Record Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage individual student data for each student served by Pennsylvania's Pre-K through Grade Twelve (12) public education systems.

PDE began calculating the LEA's state subsidy using data that the LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our audit of the Marple Newtown School District's (District) controls over data integrity found that internal controls need to be improved.

District personnel in charge of child accounting and PIMS reporting did not reconcile the PIMS final reports and their Student Information System (SIS) membership reports to ensure accuracy.

There were no policies or procedures in place to ensure that data submitted to PDE was retained for audit. Likewise, the District did not have adequate policies or procedures in place to ensure continuity over its PIMS data submission in the event of a sudden change in personnel or child accounting vendors.

District personnel in charge of child accounting and PIMS reporting did not print out the required validation reports from their SIS vendor software after the data was uploaded to PIMS at the end of the 2009-10 school year.

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Consequently, the District could not reconcile its SIS vendor membership reports with its PIMS reports.

Our testing of school calendars for the 2009-10 school year found that membership for Grade Twelve (12) students was reported based on 182 days in session, but the calendar templates reported 180 days in session. In addition, our review of PIMS reported aggregate day's membership on the Summary of Child Accounting Membership for 2009-2010 school year contained numerous discrepancies when compared to District system reports. Due to the lack of supporting documentation, the auditors were unable to calculate the state subsidy reimbursement amount due to the District.

It is the responsibility of District management to have in place the proper internal policies and procedures to ensure that student data is accurate and reported correctly to PDE. Without such internal controls, the District cannot be assured that its student data is accurate or that it is receiving the appropriate state subsidy reimbursement.

Recommendations

The *Marple Newtown School District* should:

1. Retain end-of-year reports generated by the District's child accounting software used for reporting student data to PIMS, and reconcile the data to PIMS reports.
2. Cross-train several of its personnel in the District's child accounting system.
3. Print out SIS membership reports and PIMS reports after the PIMS upload is completed. Perform reconciliations between the District's child accounting software data and the PIMS reports, and retain all documentation for audit purposes.
4. Review calendar fact templates for accuracy to ensure that they reflect the correct days in session and days of enrollment.
5. Develop documented procedures (e.g., procedure manuals, policies, or other written instructions) to ensure continuity over PIMS data submission if District

personnel were to leave the District suddenly or otherwise be unable to upload PIMS data to PDE.

Management Response

Management stated the following:

“The District has implemented a new vendor system for its student information system and has been working to get the proper reports and training to accurately upload student data in the new state PIMS system. The district has identified areas of needed improvement with reporting from its vendor system, and will be developing new reports to aid in reconciliation. Additionally, the district will be hiring replacement personnel, and will institute a cross training program between the child accounting clerk and the PIMS coordinator.”

Auditor Conclusion

We are encouraged that the District is taking steps to address this deficiency. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Observation

Internal Control Weaknesses Over Bus Drivers' Qualifications Records

Criteria relevant to the observation:

Public School Code (PSC) Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

This section of the PSC goes on to say:

“[A]dministrators shall require the applicant to submit with the application for employment a copy of the Federal criminal history record in a manner prescribed by the Pennsylvania Department of Education . . .”

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our audit of the Marple Newtown School District's (District) bus drivers' qualifications for the 2008-09 through 2011-12 school years determined that the District did not sufficiently safeguard its records.

Deficiencies Noted

Misplaced Records – After the auditors requested the District's bus drivers' qualifications records, the administration informed them that some of the records may have been altered or could not be located during two (2) moves resulting from renovations to the District's administrative offices.

Altered Documents – In addition, District administrators stated that they believed that a District employee, who had since been fired, altered some of the records requested by the auditors. According to the administrators, the employee's actions were an attempt to cover up the fact that the District did not have the necessary employee bus driver clearances on file.

These deficiencies were caused in part by the District's failure to maintain an effective filing system. A system with adequate internal controls would have ensured staff reconciled an inventory of administrative records from the beginning of the moving process to the end of the move, to ensure that each file had been transferred.

In addition, the District failed to establish sufficient processes for bringing improper record changes to management's attention. Proper internal controls over administrative records would have required that a management employee, such as the District's Human Resource Director, review and approve all of the District's bus driver's qualification information. Such a review, including verifying that all of the supporting documentation, including the various child abuse clearances, accompany each record, would ensure personnel files are complete prior to a list of bus drivers being presented to the District's Board of School Directors for approval.

It is the District administration's responsibility to ensure that its records are complete and accurate. Therefore, the administration should establish an effective system of internal controls to ensure that there are checks and balances in place to protect the integrity of the District's bus drivers' qualifications records. Failure to ensure that these controls are in place could lead to inaccurate information about the suitability of the District's bus drivers to have direct contact with children, which might jeopardize the safety of its students.

To the District's credit, the Business Manager brought the issue of the tampered records to our attention immediately after the end of our audit fieldwork. Subsequent to this disclosure, the District was able to locate or obtain the necessary bus drivers' qualifications records. Additionally, the District has indicated that a full review of all employee files is underway. This will be verified during the next audit of the District.

Recommendations

The *Marple Newtown School District* should:

1. Ensure that appropriate internal controls are in place, such as an index of employee records, to prevent important and required documentation from being lost or misplaced.
2. Verify employee files annually to ensure that records are accurate, up-to-date, and to prevent them from being altered.

Management Response

Management stated the following:

“Management agrees with this observation that internal controls over records needed improvement. As a result of the several relocations of that department due to renovations to the administration building, documents were misplaced. Since September 2013, an extensive review of all personal records was initiated in an effort to confirm the possession of all necessary documents. If any documents were missing, updates or appropriate copies have been secured.”

Auditor Conclusion

We are encouraged that the District is taking steps to put in place internal controls over employee records. We again commend the District for bringing this issue to our attention. We will follow up on the status of our recommendations during our next cyclical audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Marple Newtown School District (District) released on January 4, 2011, resulted in two (2) observations. The first observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications, and the second pertained to internal control weaknesses regarding Memoranda of Understanding. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We analyzed the District's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed District personnel regarding the prior observations. As shown below, we found that the District did take corrective actions to implement our recommendations related to internal control weaknesses in administrative policies regarding bus drivers' qualifications and to internal control weaknesses regarding Memoranda of Understanding.

Auditor General Performance Audit Report Released on January 4, 2011

Observation No. 1: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Observation Summary: The District had not adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses, which should be considered for the purpose of determining an individual has continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

Recommendations: Our audit observation recommended that the District should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the District is notified when current employees of the District's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a

case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status: During our current audit, we determined the District was in the process of developing policies and procedures to address the prior audit recommendations. In addition, our audit found that the District has taken steps to comply with Act 24 of 2011, which fulfills the requirements of our recommendations.

Observation No. 2: Internal Control Weaknesses Regarding Memoranda of Understanding

Observation Summary: Our audit of the District's records found that their Memoranda of Understanding (MOU) between the District and its two (2) law enforcement agencies were signed July 2007 and had not been updated. As a result of our audit, the District updated its MOUs in May 2010.

Recommendations: Our audit observation recommended that the District should:

Adopt a policy requiring the administration to review and re-execute the MOUs every two (2) years.

Current Status: During our current audit, we found that the District did implement corrective action to address our prior recommendation. Act 104 of 2010 changed the law governing MOUs, and the District now re-executes their MOUs every year.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.