



**UNIONVILLE-CHADDS FORD SCHOOL DISTRICT**  
**CHESTER 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

Mr. Victor Dupuis, Board President  
Unionville-Chadds Ford School District  
740 Unionville Road  
Kennett Square, Pennsylvania 19348

Dear Governor Corbett and Mr. Dupuis:

We conducted a performance audit of the Unionville-Chadds Ford 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 May 29, 2009 through January 9, 2014, 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.

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 30, 2014

cc: **UNIONVILLE-CHADDS FORD SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Unionville-Chadds Ford School District (District) in Chester 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 May 29, 2009 through January 9, 2014, 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 77 square miles. According to 2010 federal census data, it serves a resident population of 23,730. According to District officials, the District provided basic educational services to 4,109 pupils through the employment of 325 teachers, 313 full-time and part-time support personnel, and 20 administrators during the 2011-12 school year. The District received \$10.1 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. 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 Unionville-Chadds Ford School District (District) from our audit released on March 9, 2012, we found that the District has taken appropriate corrective action in implementing our recommendations pertaining to the District entering into a retirement agreement with its former Superintendent resulting in costs to the taxpayers totaling \$225,091 (see page 6).

## Audit Scope, Objectives, and Methodology

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### 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 May 29, 2009 through January 9, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2009 through September 3, 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:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g., basic education, special education, and vocational education), did it follow applicable 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 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 did the current employment contract(s) contain adequate termination provisions?
- ✓ Were votes made by the District's Board of School Directors free from apparent conflicts of interest?
- ✓ 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**

*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.

*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.

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 March 9, 2012, we reviewed the District's response to PDE dated April 17, 2012. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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**F**or the audited period, our audit of the Unionville-Chadds Ford School District resulted in no findings or observations.



## Status of Prior Audit Findings and Observations

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Our prior audit of the Unionville-Chadds Ford School District (District) released on March 9, 2012, resulted in one (1) reported finding. The finding pertained to the District entering into a retirement agreement with its Superintendent resulting in costs to the taxpayers totaling \$225,091. 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 finding. As shown below, we found that the District did implement our recommendations related to the District entering into a retirement agreement with its Superintendent resulting in costs to the taxpayers totaling \$225,091.

### Auditor General Performance Audit Report Released on March 9, 2012

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**Finding:** **The District Entered into a Retirement Agreement with Its Superintendent Resulting in Costs to the Taxpayers Totaling \$225,091**

Finding Summary: Our prior audit of the District found that on June 19, 2006, the District's Board of School Directors entered into a retirement agreement with its now former Superintendent, which moved him into the position of Assistant to the Superintendent. The retirement agreement ended the former Superintendent's tenure three years and eleven months into a five-year contract. In total, this retirement agreement cost the District taxpayers \$225,091 as follows:

- Wages for the period September 1, 2006 through June 30, 2007, for a total payment \$161,167.
- Continued participation in all of the District's medical and life insurance programs through March 31, 2007, totaling \$8,323 and \$339, respectively.
- Reimbursement for the cost of a physical examination, up to \$500.
- An accrued service benefit pursuant to the Contract, totaling \$50,000.
- Lump sum retirement benefit pursuant to the Contract, totaling \$4,762.

The retirement agreement also stated that the former Superintendent acknowledged that the consideration described above was more than the District was required to provide under its normal policies,

practices, or employee benefit plans and represented benefits to which he was not otherwise entitled.

We requested an attendance report for the former Superintendent for the 2006-07 school year in order to verify his work hours in his new position as Assistant to the Superintendent. However, the District's administration refused to provide us with this information, instead it stated that the former Superintendent served as a consultant and participated on several small projects during the 2006-07 school year. Consequently, we were unable to determine if the former Superintendent provided any services for the remuneration he received in his capacity as the Assistant to the Superintendent.

Since participation in the Public School Employees' Retirement System (PSERS) is predicated upon actual service, a participant cannot earn service credit merely by reporting a salary and making contributions. Since the District could not provide documentation that the Superintendent engaged in any work after September 1, 2006, the inclusion of his salary payments of \$161,167 for retirement credit is potentially invalid.

Recommendations:

Our audit finding recommended that the District should:

1. Enter into employment contracts with prospective superintendents at the three-year minimum term permitted by state law, in order to limit potential financial liability by the District and its taxpayers.
2. Ensure that future terminations, resignations, or retirements are paid out pursuant to the employment contract in effect at the time of the termination, resignation, or retirement.

A copy of this report was forwarded to PSERS for its review and whatever action it may deem appropriate with regard to the District's contributions to the Superintendent's retirement account during the 2006-07 fiscal year.

Current Status:

During our current audit, we found that the District did implement our prior recommendations by entering into an employment agreement with the current Superintendent for a term of three (3) years (September 1, 2011 to August 31, 2014). Upon retirement, benefits are to be paid in accordance with the employment agreement in effect at the time of the retirement.

## **Distribution List**

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

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

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Public School Employees' Retirement  
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The Honorable Carolyn Dumaresq  
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).