

EXETER TOWNSHIP SCHOOL DISTRICT

BERKS COUNTY PENNSYLVANIA

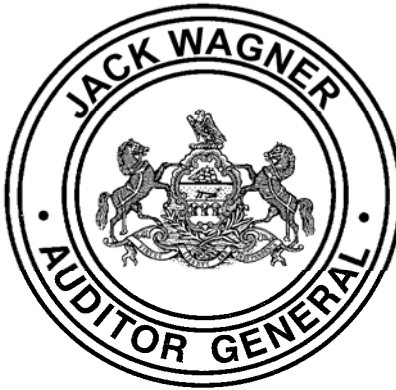
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS

THROUGH JUNE 12, 2007





EXETER TOWNSHIP SCHOOL DISTRICT  
BERKS COUNTY PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006  
WITH STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS  
THROUGH JUNE 12, 2007



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

Dear Governor Rendell:

We have conducted a performance audit of the Exeter Township School District for the years ended June 30, 2006, 2005, 2004, and 2003 and in certain areas extending beyond June 30, 2006. 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 was limited to the following objectives:

- . Objective No. 1 - To determine if the Exeter Township School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Exeter Township School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Exeter Township School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Exeter Township School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

June 12, 2007

/s/  
JACK WAGNER  
Auditor General



EXETER TOWNSHIP SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

The Exeter Township School District is located in Berks County and encompasses an area of approximately 26 square miles. The school district has a population of 22,973, according to a local census. The administrative offices are located at 3650 Perkiomen Avenue, Reading, Pennsylvania.

According to school district administrative officials, during the 2005-06 school year, the district provided basic educational services to 4,203 pupils through the employment of 24 administrators, 299 teachers, and 289 full-time and 14 part-time support personnel. Special education was provided by the district and the Berks County Intermediate Unit #14. Occupational training and adult education in various vocational and technical fields were provided by the district and the Berks Career and Technology Center.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 9 through 12 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31<sup>st</sup> of the following fiscal year.

EXETER TOWNSHIP SCHOOL DISTRICT  
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OBJECTIVES, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE**

Our audit objectives were:

- Objective No. 1 - To determine if the Exeter Township School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Exeter Township School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003 and in certain areas extending beyond June 30, 2006.

**METHODOLOGY**

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

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**CONCLUSIONS – OBJECTIVE NO. 1**

The first objective of our audit was to determine if the Exeter Township School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Exeter Township School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

EXETER TOWNSHIP SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**CONCLUSIONS - OBJECTIVE NO. 2**

The second objective of our audit was to determine if the Exeter Township School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of this finding, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding the prior years' findings and recommendations.

**Finding – Certification Irregularities**

Our prior audit of the professional employees' certification and assignments for the period of July 1, 2002 through September 24, 2004, found that four professional employees might have been assigned to the locally titled position of dean of students for the school years 2002-03, 2003-04 and 2004-05, without holding proper certification, as follows:

- two employees were assigned as dean of students for the elementary grades;
- one employee was assigned as dean of students for the junior high;  
and
- one employee was assigned as dean of students for the senior high.

We recommended that the superintendent review any locally titled positions and job descriptions with the Department of Education's (DE) Bureau of Teacher Certification and Preparation (BTCP) prior to establishing such positions and appointing staff.

We also recommended that DE adjust the district's allocations to recover any appropriate subsidy forfeitures if BTCP confirmed the irregularities.

BTCP issued its final audit review dated November 15, 2004, and confirmed the irregularity for one of the elementary deans of students cited in our finding. BTCP determined that the other three professional employees were properly certified for their assignments. As a result of BTCP's determination, DE computed that the district was subject to a subsidy forfeiture of \$6,230. DE deducted \$6,230 from the district's June 2005 basic education funding payment to resolve this finding.

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**Finding (Continued)**

Our current audit found that the individual cited in this finding was reassigned on July 1, 2004, to a position for which the individual was properly certified. Additionally, our current audit found no other certification irregularities.

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.



EXETER TOWNSHIP SCHOOL DISTRICT  
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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

**Schedule of State Revenue Received**

The district reported it received state revenue of \$11,418,026, \$10,812,477, \$9,929,197 and \$9,583,347 respectively, for the years ended June 30, 2006, 2005, 2004 and 2003 as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>STATE REVENUE</b>				
Basic Education	\$ 5,890,404	\$ 5,544,027	\$5,368,822	\$5,120,007
Read To Succeed	-	-	1,082	27,167
Charter Schools	34,721	27,724	9,750	15,717
School Performance Incentives	-	-	-	122,996
Tuition for Orphans and Children				
Placed in Private Homes	167,774	137,499	109,621	107,657
Homebound Instruction	1,332	1,303	814	2,281
Vocational Education	7	39	-	-
Alternative Education	6,704	5,978	8,846	8,556
Special Education	1,618,123	1,576,134	1,541,355	1,468,123
Transportation	814,120	883,140	766,451	756,137
Rental and Sinking Fund Payments	869,271	935,731	903,316	1,027,353
Health Services	79,443	76,967	76,574	76,120
PA Accountability	348,685	348,685	-	-
Safe Schools	17,716	39,956	22,552	8,635
Social Security and Medicare Taxes	859,116	811,471	729,245	713,804
Retirement	561,157	419,642	390,769	125,794
Other Program Subsidies/Grants:				
Dual Enrollment	40,405	4,181	-	-
Educational Assistance Program	109,048	-	-	-
PA Department of Literature	-	-	-	3,000
<b><u>TOTAL STATE REVENUE</u></b>	<b><u>\$11,418,026</u></b>	<b><u>\$10,812,477</u></b>	<b><u>\$9,929,197</u></b>	<b><u>\$9,583,347</u></b>

EXETER TOWNSHIP SCHOOL DISTRICT  
PERFORMANCE AUDIT REPORT

**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

***Description of State Revenue Received (Source: Pennsylvania Accounting Manual)***

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Read to Succeed

Revenue received from the Commonwealth to ensure that all students learn to read and write by the end of the third grade.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Vocational Education

Revenue received from the Commonwealth as subsidy for vocational education expenditures which are classified as current operating expenditures and also for preliminary expenses in establishing an area vocational education school. Payments are made in accordance with Sections 2504, 2506 and 2507 of the Public School Code.



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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

PA Accountability

Revenue received from the Commonwealth authorized by Act 48 of 2003 for school districts to implement research-based programs to boost student achievement.

Safe Schools

Revenue received from the Commonwealth as subsidy for Safe School programs.

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**SUPPLEMENTARY INFORMATION**  
**[UNAUDITED]**

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

BUREAU OF SCHOOL AUDITS  
AUDIT REPORT 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](http://www.auditorgen.state.pa.us), and the following:

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

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Mr. John Godlewski  
Director, Bureau of Budget and Fiscal Management  
Department of Education  
4<sup>th</sup> Floor, 333 Market Street  
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Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
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Mechanicsburg, PA 17055

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).