



NORRISTOWN AREA SCHOOL DISTRICT

Superintendent's Office
Administration Building
401 N. Whitehall Rd.
Norristown, PA 19403

Christopher Dormer, Superintendent

April 30, 2019

Mr. Clayton P. Carroll, II
Audit Coordinator
Bureau of Budget and Fiscal Management
Department of Education
333 Market Street-4th Floor
Harrisburg, PA 17126-0333

Re: Auditor General's Performance Audit Report for the Norristown Area School District
Fiscal Years Ending June 30, 2017, 2016, 2015 and 2014

Dear Mr. Carroll,

Norristown Area School District (NASD) has received, reviewed and evaluated the Performance audit performed by the Pennsylvania Department of the Auditor General for the period July 1, 2013 through June 30, 2017. Attached please find the District's response and corrective action plan that was approved by the board on April 29, 2019. Also attached is a copy of the board's approval.

The Norristown Area School District is committed to addressing the findings noted by the Auditor General and we are confident that all concerns will be addressed in an appropriate and timely.

Sincerely,

Christopher Dormer
Superintendent

Attachments



Agenda Item Details

Meeting	Apr 29, 2019 - Norristown Area School District Board of School Directors' Regular Meeting - 7:00 PM
Category	5. Committee Reports and Recommendations of the Superintendent
Subject	5.9 Financial and Operations Recommendations
Type	Action

The following recommendations have been reviewed and approved by the Facilities-Finance Committee and are recommended for consideration and approval by the full Board:

A. NAHS Athletic Project - Stadium Lighting

Based on KPN (Keystone Purchasing Network) Contract pricing (Contract #KPN-201302-01), recommend that a purchase order be issued to Musco Sports Lighting in the amount of \$ 289,362 for stadium lights as outlined on the attached quote.

B. SEPAST Trustee Appointment

As required by the Trust Agreement, recommend that Anne Marie Rohricht be appointed as NASD's Trustee on the SEPAST Board of Trustees and that Caitlin Navarro be appointed as NASD's Alternate Trustee effective 7-1-19.

C. Corrective Action Plan – Auditor General's Report (2013-14 through 2016-17)

Recommend that the attached corrective action plan be approved as presented.

D. 2019-20 Food Service Program Budget

Recommend the NASD continue operating under the Community Eligibility Provision of the Healthy-Hunger Free Kids Act for the upcoming school year, and that the 2019-20 Food Service Department Budget be approved as presented.

E. Dishwasher Purchase – Cole Manor Elementary

Based on Pa Costars State Contract pricing (Contract #036-005), recommend that a purchase order be issued to Singer Equipment Company in the amount of \$19,889.94 for the purchase of replacement dishwasher.

F. School Based ACCESS Program – MCIU Subcontract Agreement

Recommend that the attached agreement with MCIU for services related to the ACCESS program for the 2019-20 school year be approved as presented.

G. Assessment Appeal – Lighthouse Sandy Hill LLC

Recommend that the attached agreements resolving the assessment appeals from 2013 and 2018 be approved as presented. As a result of these agreements, the assessment on this property shall remain at \$ 4,962,800 for the next 3 tax years.

H. Assessment Appeal – AG-RP Dogwood LLC – 2920 Hannah Ave (EN)

Recommend that the attached agreement involving parcel 33-00-03628-002 in East Norriton be approved as presented. This agreement increases the assessment of this property from \$ 6,605,960 to \$ 6,820,600 effective July 1, 2019. NASD taxes will increase by approx. \$8,000 as a result of this agreement. (This was an appeal initiated by NASD through Board action in June 2018.)

I. COBRA Program Administration

Recommend that the attached contract with AMCA Systems, LLC for the administration of our COBRA Program effective 7-1-19 be approved as presented.

J. Flexible Spending Program Administration - 2019-20 through 2021-22 (3 Yrs)

Recommend that the agreement with AFLAC for administration of our flexible spending accounts through Maestro Health be approved as presented. Under this agreement, there is no cost to our employees and no cost to the District.

Background: Our current vendor is exiting this business on 6/30/19. Agreement currently under review.

[AG Corrective Action Plan.pdf \(293 KB\)](#)

[2019-20 Food Service Budget.pdf \(24 KB\)](#)

[Lighthouse Sandy Hill Appeal From 2018.pdf \(264 KB\)](#)

[Musco Lighting Quote.pdf \(1,075 KB\)](#)

[Dogwood Appeal.pdf \(128 KB\)](#)

[MCIU ACCESS Agreement.pdf \(459 KB\)](#)

[AMCA Sytems - COBRA.pdf \(108 KB\)](#)

[Lighthouse Sandy Hill Appeal From 2013.pdf \(255 KB\)](#)

[CM Dishwasher Quote.pdf \(80 KB\)](#)

Motion & Voting

Consent Agenda

Motion by Matthew Rivera, second by Turea Hutson.

Final Resolution: Motion Carries

Yea: Turea Hutson, George Kennedy, Louis Mason, Janice L Pearce, Matthew Rivera, Sandra White, Jamila Winder, Tiffani Hendley, Shae Ashe



**Norristown Area School District
Corrective Action Plan**

Approved by NASD School Board 4/29/19

**Auditor General's Performance Audit Report for the Norristown Area School District
Fiscal Years Ending June 30, 2017, 2016, 2015 and 2014**

**Finding No. 1: The District's General Fund Balance Decreased by More Than \$9 Million
During the Period from 2013-14 through 2016-17 Fiscal Years**

NASD agrees with the finding related to the declining fund balance during fiscal years 2013-14 through 2016-17. It is, however, extremely important to note that fund balance was increased during the 2017-18 school year. And, at 6/30/18, the General Fund had an audited fund balance of \$3,377,588; more than doubling the audited fund balance at 6/30/17. Unfortunately, the mandates that exist in public educations (PSERS, charter tuition, special education expenses, etc.) coupled with inadequate and inequitable state funding, required the District to spend down fund balance to meet its financial obligations. During the audit period, the District's mandated expenses for charter school tuition, special education programming, and mandated retirement rose by over \$17 million. However, the funding from the Commonwealth of Pennsylvania only increased by \$7.2 million. The lack of fair and appropriate funding from Harrisburg creates some huge financial challenges for our District and unfortunately compelled the District to use fund balance rather than place additional tax burdens on our residents.

Corrective Action Plan:

The District's current School Board and administrative team are committed to improving the financial position of the District and share the following specific actions designed to contribute to that end:

- The Board and administrative have begun to discuss the need for Board Policy governing fund balance levels. Draft policy has been reviewed by the Facilities/Finance Committee; upon completion this will move to the Policy Committee for review and then to the full School Board for approval.
- The District, for the first time in many years, recently negotiated long term contracts with both our teachers' union and support union. These contracts include strategic language related to wages and benefit levels of newly hired staff that is specifically designed to contain costs and improve the financial position of the District. Additionally, because long term agreements are in place, the District will have the ability to prepare multiyear spending forecasts with more accuracy than had been available in the past.
- Our administrative team is reviewing funding options that are available to offset mandated special education and transportation expenses; focusing on the accuracy of Act 16 reporting, completion of annual special education contingency funding requests, and the possible increased utilization of School Based Access Program. We are in the process of

implementing expanded structures and systems designed to make sure NASD is maximizing the funding that is currently available.

The District's efforts to improve the financial position of NASD were also recently highlighted in Moody's Investor Services Annual Issuer Comment Report released on March 15, 2019, which states "Management has begun to remedy the district's financial pressure through reforms in its' special education administration, a continued willingness to raise its property tax levy, and conservative budgeting. The recent negotiation of a five-year teacher contract will allow for improved long term budgeting."

Finding No. 2: Transportation Reporting Errors Resulted in a Net Overpayment of \$56,087.

NASD agrees with the finding related to the pupil transportation and is working to develop short term and long term solutions to address our weaknesses. The District agrees that clerical errors were made in the annual reporting for transportation, but points out that they were very minor. One error involved the misreporting of 46 students, or 0.17% of the estimated 27,000 students that were transported by NASD over the four-year audit period. Nonetheless, District officials have worked to develop short-term and long-term plans to address the shortcomings in current reporting processes. It should be noted that Norristown is not alone in its struggles with transportation reporting. In October 2018, the Office of the Auditor General issued a press release highlighting the need for training on pupil transportation reporting procedures and indicated that many public schools are also struggling to get the complex annual reports filed accurately. The Auditor General's office is working closely with PASBO (PA Association of School Business Officials) to develop training on the required reporting and NASD looks forward to participating in this training to improve our procedures and insure accuracy when preparing the annual transportation reports.

Corrective Action Plan:

From a short term perspective, the District has already implemented:

- New internal control structure which includes a secondary level review of transportation data, prior to submission of our annual required reports, as recommended by the Auditor General's team.
- Training and professional development sessions on the annual transportation reporting requirements for key members of both the transportation and business office teams. This training stressed the importance of:
 - Reviewing and comparing data trends so that any anomalies can be investigated prior to completion and submission of our annual reports.
 - Performing yearly reconciliations of nonpublic student lists

The District also looks forward to using the PASBO training to enhance our local efforts.

From a long term perspective, we anticipate restructuring our transportation department within the next 12 months to better support our needs, goals, and mandated responsibilities. We will deliberately address our annual reporting weaknesses as part of our restructuring plan.