

PERFORMANCE AUDIT

Bucks County Intermediate Unit 22 Bucks County, Pennsylvania

April 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Michael Hartline, Board President
Bucks County Intermediate Unit 22
705 North Shady Retreat Road
Doylestown, Pennsylvania 18901

Dear Governor Wolf and Mr. Hartline:

We conducted a performance audit of the Bucks County Intermediate Unit 22 (Intermediate Unit) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period October 17, 2011 through November 26, 2014, except as otherwise stated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 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 Intermediate Unit complied, in all significant respects, with relevant requirements.

We appreciate the Intermediate Unit'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

April 15, 2015

cc: **BUCKS COUNTY INTERMEDIATE UNIT 22** 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 Bucks County Intermediate Unit 22 (Intermediate Unit) in Bucks County. Our audit sought to answer certain questions regarding the Intermediate Unit'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 Intermediate Unit in response to our prior audit recommendations.

Our audit scope covered the period October 17, 2011 through November 26, 2014, except as otherwise stated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

Intermediate Unit Background

The Intermediate Unit is a legal entity established under the terms of Pennsylvania Law (Act 102, May 4, 1970) to function as a service agency for the thirteen (13) participating school districts, nonpublic schools, and institutions in Bucks County. A thirteen (13)-member board appointed by the participating school districts on a rotating basis governs the Intermediate Unit. The administrative office is located at 705 North Shady Retreat Road, Doylestown, Pennsylvania 18901.

The programs offered by the Intermediate Unit served 88,842 students in public schools, and 12,748 students in nonpublic

schools. The staff consisted of 27 administrators, 531 teachers, and 829 full-time and part-time support personnel.

The accounts of the Intermediate Unit are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. Intermediate Unit resources are allocated to, and accounted for, in individual programs based on purposes for which the funds are to be spent and the means by which spending activities are controlled.

The various programs, which receive Commonwealth funds, are accounted for in the following:

General Fund

The general fund is the primary operating fund of the Intermediate Unit. It is used to account for all financial resources and accounts for the general governmental activities of the Intermediate Unit.

Services provided to participating school districts through the general fund included:

- . administration.
- . curriculum development and instructional improvement.
- . educational planning.
- . instructional materials.
- . management services.

- . continuing professional education.
- . pupil personnel.
- . state and federal liaison.
- . nonpublic program subsidy - Act 89.

The Intermediate Unit received \$5.8 million from the Commonwealth in general operating funds in the 2011-12 school year.

Special Revenue Fund

The special revenue fund accounts for the financial resources received to provide, maintain, administer, supervise, and operate schools, classes, service programs, and transportation for exceptional children in accordance with the school laws of Pennsylvania and the approved intermediate unit plan for special education. The special revenue fund accounts for financial resources available for programs and services for exceptional children in state centers, state hospitals, private licensed facilities, and other child care institutions.

The special education program offered services at all grade levels for pupils whose physical, mental, or emotional needs required such services. If appropriate facilities were not available in a neighborhood school, the Intermediate Unit provided the necessary transportation.

Special education programs included:

- . gifted support.
- . learning support.
- . life skilled support.
- . emotional support.

- . deaf or hearing impaired support.
- . blind or visually impaired support.
- . speech and language support.
- . physical support.
- . autistic support.
- . multi-handicapped support.

Act 25 of 1991 amended the Public School Code regarding the funding of special education services. Intermediate units received direct funding for certain institutionalized children programs, CORE services, special payments to certain intermediate units, and a contingency fund.

The Intermediate Unit received \$30.5 million from the Commonwealth in special revenue funds in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the Intermediate Unit complied, in all significant respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit resulted in no findings or observations.

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Bucks County Intermediate Unit 22 (Intermediate Unit) from an audit released on January 20, 2012, we found that the Intermediate Unit had taken appropriate corrective action in implementing our recommendations pertaining to Memoranda of Understanding (see page 9).

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 October 17, 2011 through November 26, 2014.

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

While all LEAs have the same school years, some LEAs 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 Intermediate Unit'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:

- Ü In areas where the Intermediate Unit received transportation subsidies, was the Intermediate Unit, and any contracted vendors, in compliance with applicable laws [24 P.S. § 25-2541] and procedures?

To address this objective:

- The auditors selected 44 of the 175 total Intermediate Unit buses. For each bus in the items selected, auditors reviewed various data, including board approval of routes, manufacturer, serial number, year of manufacture, and seating capacity as required under 24 P.S. § 25-2541.
- In addition, the auditors reconciled the transportation data the Intermediate Unit submitted to PDE to the Intermediate Unit's final formula allowance and/or contracted costs to ensure accuracy.

ü Did the Intermediate Unit ensure that bus drivers transporting Intermediate Unit children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 PA Code Chapter 8, and 23 PA C.S. § 58-6354, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors initially selected the 5 newest drivers out of the 28 “new drivers” from the current school year and worked backwards to the last time the Bureau of School Audits audited the Intermediate Unit and reviewed bus driver compliance. Auditors ensured that all of the new drivers not reviewed during the previous audit were selected for review and included both Intermediate Unit-employed and contractor-employed drivers, as appropriate.
- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

- Ü Did the Intermediate Unit 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?
 - To address this objective, the auditors reviewed one individual's contract, board meeting minutes, board policies, and payroll records for an administrator who retired, resigned or had a possible contract bought-out since the performance of our last audit.

- Ü Did the Intermediate Unit have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System (PIMS) was complete, accurate, valid, and reliable for the most current year available?
 - To address this objective, the auditors randomly selected 2 out of 89 school terms reported on the PIMS. School days reported on the Instructional Time Membership Report were verified and matched to the School Calendar Fact Template.

- Ü Did the Intermediate Unit take appropriate steps to ensure school safety?
 - To address this objective, the auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the Intermediate Unit followed best practices in school safety and 24 P.S. Sect. 13-1302, 1302.1A, 13-1303.1, and 13-1303 A. Generally, the auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

Ü Did the Intermediate Unit take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed Intermediate Unit administrators to determine whether they had taken corrective action.
- The auditors reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or observed these changes in person.

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 Intermediate Unit's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Intermediate Unit 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 Intermediate Unit's internal controls, including any information technology controls, as they relate to the Intermediate Unit'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.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, and bus driver qualifications.
- Items such as board meeting minutes and policies and procedures.

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

To determine the status of our audit recommendations made in a prior audit report released on January 20, 2012, we reviewed the Intermediate Unit's response to PDE dated April 2, 2013. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

For the audited period, our audit of the Bucks County Intermediate Unit 22 resulted in no findings or observations.

Status of Prior Audit Findings and Observations

Our prior audit of the Bucks County Intermediate Unit 22 (Intermediate Unit) released on January 20, 2012, resulted in one (1) finding. The finding pertained to Memoranda of Understanding. As part of our current audit, we determined the status of corrective action taken by the Intermediate Unit to implement our prior audit recommendations. We analyzed the Intermediate Unit's written response provided to the Pennsylvania Department of Education (PDE), performed audit procedures, and interviewed Intermediate Unit personnel regarding the prior finding. We found that the Intermediate Unit did implement our recommendations related to Memoranda of Understanding.

Auditor General Performance Audit Report Released on January 20, 2012

Finding: **Memoranda of Understanding with Local Law Enforcement Not Updated Timely**

Finding Summary: Our prior audit of the Intermediate Unit found that as of August 24, 2011, the Memoranda of Understanding (MOU) between the Intermediate Unit and local law enforcement agencies with jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property had not been updated since June 26, 2008 and July 13, 2009. The Public School Code requires public schools to update and re-execute MOUs with local law enforcement agencies every two (2) years.

Recommendations: Our audit finding recommended that the Intermediate Unit should:

1. In consultation with the Intermediate Unit's solicitor, review, update, and re-execute the current MOU between the Intermediate Unit and all local law enforcement agencies having jurisdiction over school property.
2. In consultation with the Intermediate Unit's solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe School provisions enacted November 17, 2010.
3. Adopt an official board policy requiring Intermediate Unit administration to biennially update and re-execute all MOUs with all local law enforcement agencies having jurisdiction over school property and file a copy with PDE's Office of Safe Schools on biennial basis as required by law.

Current Status:

During our current audit, we found that the Intermediate Unit did implement our prior audit recommendations. The Intermediate Unit executed a current MOU with the local law enforcement agencies and enacted Board Policy Number 805 on July 16, 2013, which addresses the execution of MOUs.

Distribution List

This report was initially distributed to the Executive Director of the Intermediate Unit, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf
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Harrisburg, PA 17120

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This report is a matter of public record and is available online at www.PaAuditor.gov. 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@PaAuditor.gov.