

BUCKS COUNTY INTERMEDIATE UNIT #22

BUCKS COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JANUARY 2012

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

Ms. Christine Yardley, Board President
Bucks County Intermediate Unit #22
705 North Shady Retreat Road
Doylestown, Pennsylvania 18901

Dear Governor Corbett and Ms. Yardley:

We conducted a performance audit of the Bucks County Intermediate Unit #22 (BCIU) to determine its compliance with applicable state laws, contracts, grant requirements and administrative procedures. Our audit covered the period February 2, 2010 through October 17, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. 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 found that the BCIU complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 20, 2012

cc: **BUCKS COUNTY INTERMEDIATE UNIT #22** Board Members



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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 (BCIU). Our audit sought to answer certain questions regarding the BCIU's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period February 2, 2010 through October 17, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

Intermediate Unit Background

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

The programs offered by the IU served 90,749 students in public schools and 14,227 students in nonpublic schools. The staff consisted of 27 administrators, 504 teachers, and 819 full-time and part-time support personnel.

The accounts of the IU are organized on the basis of programs and account groups, each of which are considered a separate accounting entity. IU 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 IU. It is used to account for all financial resources and accounts for the general governmental activities of the IU.

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; and
- nonpublic program subsidy - Act 89.

Lastly, the BCIU received more than \$7.3 million from the Commonwealth in general operating funds in school year 2009-10.

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 IU 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 IU 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; and
- multi-handicapped support.

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

Lastly, the BCIU received more than \$30.8 million from the Commonwealth in special revenue funds in school year 2009-10.

Audit Conclusion and Results

Our audit found that the BCIU complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matters reported as a finding.

Finding: Memoranda of Understanding with Local Law Enforcement Not Updated Timely. The BCIU failed to update its Memoranda of Understanding every two years as required by the Public School Code (see page 6).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

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

Our audit, conducted under authority of 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 February 2, 2010 through October 17, 2011, except for the verification of professional employee certification which was performed for the period January 15, 2010 thru June 30, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10 and 2008-09.

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 Department of Education 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 BCIU's compliance with applicable state laws, 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 objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Is the IU's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the IU ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the IU?
- ✓ Did the IU pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the IU taking appropriate steps to ensure school safety?
- ✓ Did the IU use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?

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 applicable laws, 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 findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BCIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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 pupil transportation.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications and professional employee certification.
- Items such as meeting minutes and pupil membership records

Additionally, we interviewed selected administrators and support personnel associated with BCIU's operations.

Findings and Observations

Finding

Memoranda of Understanding with Local Law Enforcement Not Updated Timely

Criteria relevant to the observation:

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Department of Education. The term “biennially” means “an event that occurs every two years.”

Our audit found that as of August 24, 2011, the Memoranda of Understanding (MOU) between the Bucks County Intermediate Unit #22 (BCIU) and the police departments 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 has 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 every two years.

The failure to update MOUs with all pertinent police departments could result in a lack of cooperation, direction, and guidance between BCIU employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to biennially update and re-execute a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Recommendations

The *Bucks County Intermediate Unit #22* should:

1. In consultation with the BCIU’s solicitor, review, update and re-execute the current MOU between the BCIU and all the police departments having jurisdiction over school property.
2. In consultation with the BCIU’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.

3. Adopt an official board policy requiring BCIU administration to biennially update and re-execute all MOUs with police departments having jurisdiction over school property and file a copy with the Department of Education's Office of Safe Schools on a biennial basis as required by law.

Management Response

Management stated the following:

Upon being notified that the Intermediate Unit's Memorandums of Understanding (MOU) had expired, Management immediately contacted the local law enforcement agencies to review and update the MOU's which were then turned into the auditor the following day. It is important to note that the Intermediate Unit had already sent their existing MOU's to the state by due date (email confirmation was received); however, the state did not inform us at the time of receipt that our MOU's were expired; therefore, we did not know that we were not in compliance with new changes in the law.

To assist Management in maintaining a current, compliant policy manual, the Intermediate Unit Board of Directors approved to contract with the Pennsylvania School Board Association (PSBA). PSBA will assist with policy development and policy maintenance service for the period of February 2011 through September 2012. We have requested PSBA's recommended Emergency Preparedness policy for review. The Intermediate Unit's Safe Schools Committee will be reviewing this policy for Intermediate Unit pertinence. The Safe Schools Committee will submit the recommended policy to the Board for their approval and adoption. This policy will specifically address the biennial update of the MOU's along with timely submission to the state and it is from this policy that Management will establish procedures to ensure compliance

Status of Prior Audit Findings and Observations

Our prior audit of the Bucks County Intermediate Unit #22 resulted in no findings or observations.

Distribution List

This report was initially distributed to the executive director of the intermediate unit, the board members, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Tom Corbett
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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, PA 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.

