

CHELTENHAM TOWNSHIP SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

MARCH 2009

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

Mrs. Tina Viletto, Board President
Cheltenham Township School District
1000 Ashbourne Road
Elkins Park, Pennsylvania 19027

Dear Governor Rendell and Mrs. Viletto:

We conducted a performance audit of the Cheltenham Township School District (CTSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 12, 2005 through March 21, 2008, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2006, 2005, 2004 and 2003, as they were the most recent reimbursements subject to audit. 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 CTSD 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.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

March 3, 2009

cc: **CHELTENHAM TOWNSHIP SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Cheltenham Township School District (CTSD). Our audit sought to answer certain questions regarding the CTSD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the CTSD in response to our prior audit recommendations.

Our audit scope covered the period January 12, 2005 through March 21, 2008, 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 2005-06, 2004-05, 2003-04 and 2002-03, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

District Background

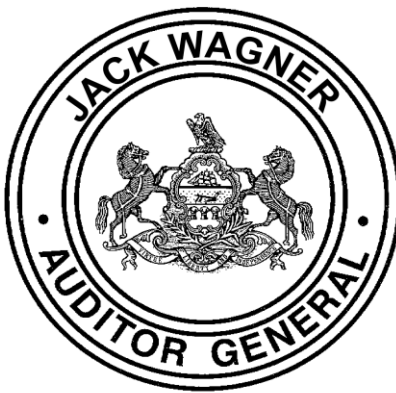
The CTSD encompasses approximately 9 square miles. According to 2000 federal census data, it serves a resident population of 36,875. According to CTSD officials, in school year 2005-06 the CTSD provided basic educational services to 4,642 pupils through the employment of 413 teachers, 253 full-time and part-time support personnel, and 39 administrators. Lastly, the CTSD received more than \$11.7 million in state funding in school year 2005-06.

Audit Conclusion and Results

Our audit found that the CTSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

Finding: Board Members Failed to File Their Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act. Our audit of board members' Statements of Financial Interests found that one member failed to file in 2006, two board members failed to file in 2005, one board member failed to file in 2004, three board members failed to file in 2003, and one board member failed to file in 2002. CTSD management agreed with the finding (see page 7).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the CTSD from an audit we conducted for the 2001-02 and 2000-01 school years, we found the CTSD had taken appropriate corrective action in implementing our recommendations pertaining to certification irregularities (see page 9).



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 January 12, 2005 through March 21, 2008, except for certification which was reviewed for the period December 4, 2004 through February 8, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06, 2004-05, 2003-04 and 2002-03, because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

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 DE 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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the CTSD's compliance with applicable 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 objectives:

- ✓ Were professional employees certified for the positions they held?

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 law, regulation, 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.

- ✓ In areas where the District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District 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 District?
- ✓ Did the District 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 District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

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, 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 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.

CTSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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.

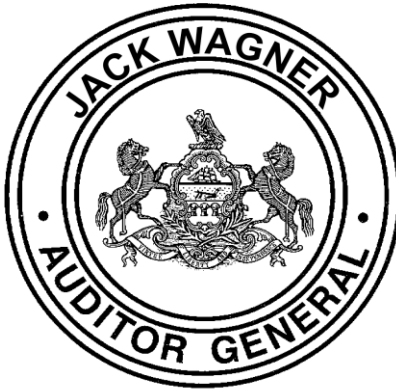
In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with CTSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on July 1, 2005, we performed additional audit procedures targeting the previously reported matters.



Findings and Observations

Finding

Ethics Act Sections Relevant to this finding:

Section 1104(d) provides:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests. . . .

Section 1109(b), provides that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f) provides that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

Board Members Failed to File Their Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our audit of board members' Statements of Financial Interests for the calendar years ended December 31, 2006, 2005, 2004, 2003 and 2002 found that one member failed to file in 2006, two members failed to file in 2005, one member failed to file in 2004, three members failed to file in 2003, and one member failed to file in 2002.

Of the Statements of Financial Interests forms that were on file for our audit period, we found no evidence of potential conflicts of interests.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Recommendations

The *Cheltenham Township School District* should:

1. Seek the advice of its solicitor with regard to the board's responsibility when a board member fails to file a Statement of Financial Interests.

2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Management Response

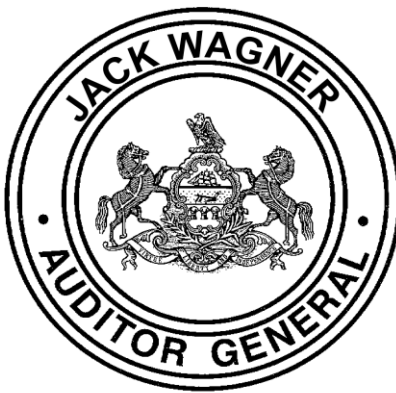
Management agreed with the finding and stated:

Upon review of the Statement of Financial Interest for members of the board, it was discovered that four former members of the board did not return the financial interest form for the year following their end of service. All of the members involved are no longer serving on the board. The board secretary will insure that all future filings of the Statement of Financial Interest will be submitted in a timely fashion from all current and exiting board members for audit purposes. It is noted that all 2007 financial interest statements have been received from the current board members.

Status of Prior Audit Findings and Observations

Our prior audit of the Cheltenham Township School District (CTSD) for the school years 2001-02 and 2000-01 resulted in one reported finding. The finding pertained to a certification irregularity. As part of our current audit, we determined the status of corrective action taken by CTSD to implement our prior recommendations. We performed audit procedures and questioned CTSD personnel regarding the prior findings. As shown below, we found that the CTSD did implement recommendations related to the certification irregularity.

| <i>School Years 2001-02 and 2000-01 Auditor General Performance Audit Report</i> | | |
|--|---|--|
| <i>Recommendations</i> | <i>Implementation Status</i> | |
| <p><u><i>1. Finding: Certification Irregularity</i></u></p> <ol style="list-style-type: none"> 1. Ensure that professional personnel hold appropriate certification to qualify for their assignment. 2. Ensure that procedures are in place to identify lapsed or invalid certificates. 3. The Department of Education (DE) should adjust the District's allocations to recover the \$3,663 forfeiture resulting from the irregularity. | <p>Background:</p> <p>Our prior audit of the District's professional employees' certification and assignments for the period October 22, 2002 through December 3, 2004, found that one teacher taught with a lapsed emergency certificate from September 1, 2003 to May 1, 2004.</p> | <p>Current Status:</p> <p>Our current audit of certificates and assignments found that the teacher cited in the prior audit resigned effective July 14, 2004. Our current audit found no additional certification irregularities and found that procedures are in place to identify lapsed or invalid certificates.</p> <p>Based on the results of our current audit, we concluded that the District <u>did</u> take appropriate corrective action to address this finding.</p> <p>On December 1, 2005, DE deducted \$3,663 from the District's allocations to assess the subsidy forfeiture.</p> |



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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The Honorable Robert M. McCord
State Treasurer
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Senate Education Committee
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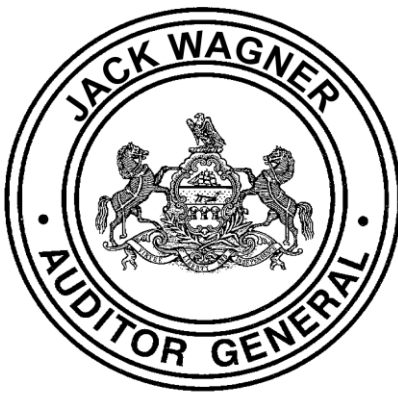
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