

DELAWARE COUNTY INTERMEDIATE UNIT #25  
DELAWARE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JUNE 2010



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

Mr. Edward Cardow, Board President  
Delaware County Intermediate Unit #25  
200 Yale Avenue  
Morton, Pennsylvania 19070

Dear Governor Rendell and Mr. Cardow:

We conducted a performance audit of the Delaware County Intermediate Unit #25 (DCIU) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period June 21, 2005 through June 30, 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, and June 30, 2005, 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 DCIU complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified two matters unrelated to compliance that are reported as observations. A summary of the result is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

June 1, 2010

cc: **DELAWARE COUNTY INTERMEDIATE UNIT #25** Board Members

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Delaware County Intermediate Unit #25 (DCIU). Our audit sought to answer certain questions regarding the DCIU's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the DCIU in response to our prior audit recommendations.

Our audit scope covered the period June 21, 2005 through June 30, 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 and 2004-05 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.

### **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 15 participating school districts, nonpublic schools, and institutions in Delaware County. The IU is governed by a 15 member board appointed by the participating school districts on a rotating basis. The administrative office is located at 200 Yale Avenue, Morton, Pennsylvania.

The programs offered by the IU served 1,248 students in public schools and 24,321 students in nonpublic schools. The staff consisted of 29 administrators, 311 teachers, and 606 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 DCIU received more than \$8.7 million from the Commonwealth in general operating funds in school year 2005-06.

### **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 DCIU received more than \$10.9 million from the Commonwealth in special revenue funds in school year 2005-06.

### **Audit Conclusion and Results**

Our audit found that the DCIU complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two matters unrelated to compliance that are reported as observations.

**Observation No. 1: Memorandum of Understanding Not Updated Timely.** Our audit of DCIU's current Memorandum of Understanding (MOU) with the Pennsylvania State Police found that the MOU was signed January 28, 2002 and has not been reviewed and re-executed since (see page 8).



**Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.**

Our current audit found that the DCIU had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 10).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the DCIU from an audit we conducted of the 2003-04 and 2002-03 school years, we found that DCIU had not taken complete corrective action in implementing our recommendations pertaining to internal control weaknesses in regarding bus drivers' qualifications (see page 12).



## Audit Scope, Objectives, and Methodology

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### 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 June 21, 2005 through June 30, 2008, except for the verification of professional employee certification which was performed for the period April 28, 2005 through June 3, 2008.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 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 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 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 DCIU'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 IU receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the IU follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ 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 take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

*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.

*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.

DCIU management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the IU 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 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 DCIU operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on November 9, 2005, we reviewed the DCIU's response to DE dated January 4, 2006. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Observation No. 1

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*Criteria relevant to this observation:*

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions, item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

### Memorandum of Understanding Not Updated Timely

Our audit of the Delaware County Intermediate Unit #25's (DCIU) records found that the current Memorandum of Understanding (MOU) between the DCIU and the Pennsylvania State Police (PSP) was signed January 28, 2002, and has not been updated.

The failure to update the MOU with the PSP could result in a lack of cooperation, direction, and guidance between intermediate unit employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Subsequent to the completion of our fieldwork, the DCIU reviewed and re-executed the MOU with the PSP, effective July 14, 2008.

### Recommendations

The *Delaware County Intermediate Unit #25* should:

1. Continue to periodically review, update and re-execute the current MOU between the DCIU and the PSP.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

**Management Response**

Management stated the following:

Delaware County Intermediate Unit #25 agrees there has been an internal control weakness regarding the School Violence Memorandum of Understanding between our schools and the local police entity. The responsibility for the maintenance of the Memorandum of Understandings has been assigned to the Director of Facilities, who will process the agreements annually to create a standard routine.

**Observation No. 2** →

**Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

*Criteria relevant to the observation:*

Public School Code Section 111 (24 P.S. § 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. § 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Our current audit found that the DCIU had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 12). We made our recommendations in the interest of the protection of students, and here reiterate those recommendations.

The ultimate purpose of the requirements of the Public School Code and CPSL cited in the box to the left is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, we believe there are other serious crimes that local education agencies (LEA) should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. LEAs should also consider implementing written policies and procedures to ensure that the DCIU is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

The DCIU has not yet adopted written policies or procedures, as we recommended in the prior audit, to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.



**Recommendations**

The *Delaware County Intermediate Unit #25* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the DCIU have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.
2. Implement written policies and procedures to ensure that the DCIU is notified when current employees are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the DCIU considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

**Management Response**

Management stated the following:

Delaware County Intermediate Unit was cited by Department of the Auditor General for not having a paragraph in Policy 810.2 to codify that bus drivers must notify the Delaware County Intermediate Unit of any arrest.

Delaware County Intermediate Unit will send this recommendation and policy to our solicitor for review.

## Status of Prior Audit Findings and Observations

Our prior audit of the Delaware County Intermediate Unit #25 (DCIU) for the school years 2003-04 and 2002-03 resulted in one observation. The observation pertained to internal control weaknesses regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the DCIU to implement our prior recommendations. We analyzed the DCIU Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned DCIU personnel regarding the prior observation. As shown below, we found that the DCIU did not fully implement our recommendations related to internal control weaknesses regarding bus drivers' qualifications.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> <li>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the DCIU have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</li> <li>2. Implement written policies and procedures to ensure the DCIU is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit found that the DCIU did not have written policies or procedures in place to notify them if their current employees were charged with or convicted of a serious criminal offense. We also noted that there was no process in place for consideration of serious crimes that would not prohibit employment but which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. We considered the lack of written policies and procedures to be internal control weaknesses that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that subsequent to our fieldwork completion date, on September 3, 2008, DCIU adopted Policy No. 810.2, detailing how the DCIU is notified when bus drivers lose their driving privileges or have been arrested or convicted of any motor vehicle related offense.</p> <p>However, Policy No. 810.2 does not address how DCIU will be notified when drivers are charged with other crimes that call into question their suitability to continue to have direct contact with children.</p> <p>The continuing internal control weaknesses are addressed in Observation No. 2 of our current audit report (see page 10).</p>

## **Distribution List**

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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](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell Governor Commonwealth of Pennsylvania Harrisburg, PA 17120	Ms. Barbara Nelson Director, Bureau of Budget and Fiscal Management Department of Education 4 <sup>th</sup> Floor, 333 Market Street Harrisburg, PA 17126
The Honorable Thomas E. Gluck Acting Secretary of Education 1010 Harristown Building #2 333 Market Street Harrisburg, PA 17126	Dr. David Wazeter Research Manager Pennsylvania State Education Association 400 North Third Street - Box 1724 Harrisburg, PA 17105
The Honorable Robert M. McCord State Treasurer Room 129 - Finance Building Harrisburg, PA 17120	Dr. David Davare Director of Research Services Pennsylvania School Boards Association P.O. Box 2042 Mechanicsburg, PA 17055
Senator Jeffrey Piccola Chair Senate Education Committee 173 Main Capitol Building Harrisburg, PA 17120	
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Representative Paul Clymer Republican Chair House Education Committee 216 Ryan Office Building Harrisburg, PA 17120	



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