

LOWER MERION SCHOOL DISTRICT
MONTGOMERY COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDING, OBSERVATION, RECOMMENDATIONS AND
STATUS OF PRIOR YEARS' OBSERVATION AND RECOMMENDATIONS
THROUGH AUGUST 30, 2007

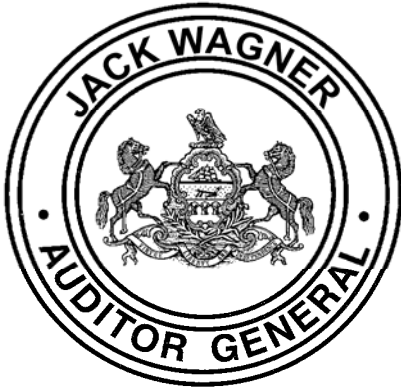


LOWER MERION SCHOOL DISTRICT
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PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003,
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WITH FINDING, OBSERVATION, RECOMMENDATIONS AND
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THROUGH AUGUST 30, 2007

LOWER MERION SCHOOL DISTRICT
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Diane DiBonaventuro, Board President
Lower Merion School District
301 East Montgomery Avenue
Ardmore, Pennsylvania 19003

Dear Governor Rendell and Ms. DiBonaventuro:

We have conducted a performance audit of the Lower Merion School District for the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006. 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 was limited to the following objectives:

- . Objective No. 1 - To determine if the Lower Merion School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Lower Merion School District took appropriate corrective action to address the observation and recommendations contained in our prior audit report.

To plan and perform our audit of the Lower Merion School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Lower Merion School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following finding. We also identified internal control weaknesses as discussed in the observations. The finding and observations are discussed further in the Conclusions section of this report.

Objective No. 1

- Finding – Pupil Transportation Reporting Errors Resulting in a Net Subsidy Underpayment of \$176,029
- Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

Objective No. 2

- Observation – Internal Control Weaknesses in Administrative Policies Regarding School Bus Drivers' Qualifications

We believe that our recommendations, if implemented by the district, will improve the internal control weaknesses identified and help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

Independent Auditor's Report (Continued)

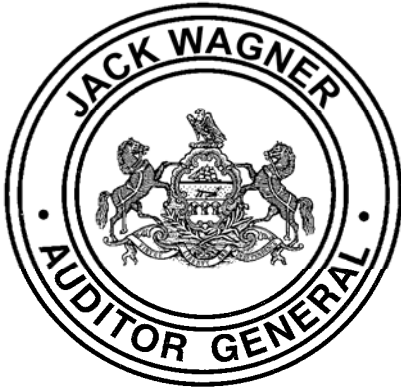
The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

August 30, 2007

/s/
JACK WAGNER
Auditor General

cc: Ms. Lisa Fair Pliskin, Board Vice-President
Ms. Fran Keaveney, Board Secretary
Ms. Linda Doucette-Ashman, Board Member
Mr. Gary J. Friedlander, Board Member
Mr. David Ebby, Board Member
Ms. Lyn Kugel, Board Member
Mr. Theodore Lorenz, Board Member
Mr. Jerold J. Novick, Board Member
Dr. Susan Guthrie, Board Member
Dr. Jamie P. Savedoff, Superintendent



LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Lower Merion School District is located in Montgomery County and encompasses an area of approximately 24 square miles. The school district has a population of 64,083, according to the 2000 federal census. The administrative offices are located at 301 East Montgomery Avenue, Ardmore, Pennsylvania.

According to school district administrative officials, during the 2003-04 school year, the district provided basic educational services to 6,899 pupils through the employment of 66 administrators, 648 teachers, and 543 full-time and part-time support personnel. Special education was provided by the district and the Montgomery County Intermediate Unit #23. Occupational training and adult education in various vocational and technical fields were provided on a tuition basis as needed.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 19 through 21 of this report for a listing of the state revenue the district received during the 2005-06, 2004-05, 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- . Objective No. 1 - To determine if the Lower Merion School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- . Objective No. 2 - To determine if the Lower Merion School District took appropriate corrective action to address the observation and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2006, 2005, 2004 and 2003, and in certain areas extending beyond June 30, 2006.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year in which the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Lower Merion School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Lower Merion School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the finding listed below. Additionally, we identified internal control weaknesses as noted in the observation included in this report. The finding, observation and recommendations were reviewed with representatives of the Lower Merion School District, and their comments have been included in this report.

Finding - Pupil Transportation Reporting Errors Resulting in a Net Subsidy Underpayment of \$176,029

Our audit found errors in the number of nonpublic pupils transported reported by the district to the Department of Education (DE) for the 2005-06 and 2004-05 school years only, resulting in a net underpayment of \$176,029, as follows:

<u>School</u> <u>Year</u>	<u>Number of Pupils</u>		<u>(Over)/</u> <u>Understated</u>	<u>Rate</u>	<u>(Over)/</u> <u>Underpayment</u>
	<u>Audited</u>	<u>Reported</u>			
2005-06	2,787	2,246	541	\$385	\$208,285
2004-05	2,956	3,080	(124)	385	<u>(47,740)</u>
				Net Subsidy Underpayment	\$160,545
				2005-06 adjustment of state share due to increase in total pupils transported	19,565
				2004-05 adjustment of state share due to decrease in total pupils transported	<u>(4,081)</u>
				Net Subsidy Underpayment	<u>\$176,029</u>

Section 2509.3 of the Public School Code, 24 P.S. § 25-2509.3, authorizes reimbursement of \$385 for each nonpublic pupil transported. In addition, because the total number of students transported is a factor in the calculation of the state’s share of allowable transportation costs, the errors further impacted the district’s transportation subsidy, as shown in the above chart.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding (Continued)

In preparation for converting to a new software system before the start of the 2006-07 school year, district transportation personnel mistakenly excluded a set of students from their database during the 2005-06 school year. These students started the 2005-06 school year, but prior to the end of that year had their records physically deleted during a file maintenance because they were not longer riding the bus. Subsequently, the transportation personnel did not count these pupils in their reports filed with DE.

For the 2004-05 school year, a clerical error was made that mistakenly included a group of non-riders in the count reported to DE.

DE has been provided a report detailing the transportation errors for use in recalculating the district's transportation subsidy.

Recommendations

District personnel should:

- review controls to ensure the accurate reporting of nonpublic pupils transported; and
- reconcile all transportation data for accuracy prior to submission of reports to DE.

DE should adjust the district's allocations to resolve the net underpayment of \$176,029.

Response of Management

Management provided a response agreeing with the finding but making no further comment at the time of our audit.

Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Lower Merion School District uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the district's network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the district's data could occur and not be detected because the district was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the district has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Reliance on manual compensating controls becomes increasingly problematic if the district would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. Unmonitored vendor system access and logical access control weaknesses could lead to unauthorized changes to the district's membership information and result in the district not receiving the funds to which it was entitled from the state.

During our review, we found the district had the following weaknesses as of August 30, 2007, over vendor access to the district's system:

- . the district does not have evidence to support they are reviewing monitoring reports of user remote access and activity on the system (including vendor and district employees). There is no evidence to support that the district is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system;
- . the vendor uses a group userID rather than requiring that each employee have a unique userID and password;
- . the district does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;
- . the district does not store data back-ups in a secure, off-site location;
- . the district does not have current information technology (IT) policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the district's Acceptable Use Policy;
- . the district's Acceptable Use Policy does not include provisions for authentication (e.g., password security and syntax requirements) and violations/incidents (what is to be reported and to whom); and
- . the district has certain weaknesses in logical access controls. We noted that the district's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts; and to log off the system after a period of inactivity (i.e., 60 minutes maximum.)

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Recommendations

We recommend the district implement the following:

- the district should generate monitoring reports (including firewall logs) of the vendor and employee remote access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The district should review these reports to determine that the access was appropriate and that data was not improperly altered. The district should also ensure it is maintaining evidence to support this monitoring and review;
- the district should require the vendor to assign unique userIDs and passwords to vendor employees authorized to access the district system. Further, the district should obtain a list of vendor employees with remote access to its data and ensure that changes to the data are made only by authorized vendor representatives;
- the district should maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner;
- the district should store back-up tapes in a secure, off-site location;
- the district should establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's Acceptable Use Policy;
- the district's Acceptable Use Policy should include provisions for authentication (e.g., password security and syntax requirements) and violations (what is to be reported and to whom); and
- the district should implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the district should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Response of Management

Management provided the following response to our observation:

Remote Access Security

Our student information system, . . . is a product that is maintained and supported by . . . a world renowned and well-respected leader in Education. Access to the system is both limited and monitored by means of software security and human oversight. By default the support maintenance account that is used by [the vendor] to access our system and student data is disabled. When and only when, we've initiated a call to tech support for assistance, is the maintenance account enabled and their tech support given access to our system. In these support instances, access is always monitored by our technology support staff as they are working with [vendor] support to resolve the outstanding issue. Once the call is concluded and the technical assistance is no longer needed the maintenance account is then disabled. As an extra measure of security, the maintenance account is automatically disabled during the nightly system processes. It is also important to note that there are only two users in the school district who are authorized to initiate [software] technical support cases.

Vendor User Account

The fact that vendor technical support personnel use a shared group userID is out of the control of our district. However, this does not compromise security, given that all remote access is initiated, controlled, and monitor by our technology personnel.

Terminated Employees Access

Each of our schools maintain their staff accounts, coordinating with technology and human resources to both add newly hired employees and remove terminated employees. To the extent that this is not completed as part of the termination process in coordination with Human Resources, we accept this finding. The district will work to develop a clear policy and guidelines that include greater coordination between Technology, Human Resources, and school administration.

Off Site back-up Storage

Our district does store back-up data in a secure off-site location.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Vendor Acceptable Use Policy

All work performed by outside vendors is strictly supervised by our district technology staff.

Acceptable Use Policy

Our acceptable use policy is reviewed on an ongoing basis and updated as required. Our district will look into implementing some of the recommended security measures and incorporating these into future Acceptable Use Policy revisions.

Logical Access Controls

[The software] does provide security features for monitoring and controlling system access. If there are more than 3 unsuccessful access attempts from a given location, the IP address is locked out permanently and access to that IP address must be re-enabled by a system administrator. There are also inactivity timeouts in place; administrative users are automatically logged out after 60 minutes of inactivity and users of the public portal are logged off after 10 minutes of inactivity. [The software] continually adds new security features with every release and as additional security features become available we will implement these measures. Currently there are no features that allow for the requiring of password parameters and scheduled password resets.

Auditor's Conclusion

We acknowledge the district's procedures for remote access security. However, we continue to recommend documenting the review of monitoring reports (including firewall logs).

We continue to recommend that each vendor employee has his/her own userID on the district's system. If only one userID is available for all vendor actions, then the temporary assignment of the userID to a particular vendor employee should be logged and monitored to establish and ensure accountability.

We were informed in management's response that the district stores back-up data in a building next to the data center. We also learned that the district is looking for an alternative secure off-site storage location, and we continue to recommend that the district pursue this option.

We continue to recommend that the district establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the district should require the vendor to sign the district's Acceptable Use Policy.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

After providing the management response, the district supplied evidence that the district's system locks users out after three unsuccessful attempts and logs users off after appropriate periods of inactivity. We continue to recommend that the district work with the vendor to implement the remaining security settings detailed above.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Lower Merion School District took appropriate corrective action to address the observation and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002. The status of this observation, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated March 28, 2005, to the Department of Education, replying to the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding the prior years' observation and recommendations.

Observation – Internal Control Weaknesses in Administrative Policies Regarding School Bus Drivers' Qualifications

Our prior audit of the district's school bus driver qualifications found that the district did not have any written policies or procedures in place to notify them if their current employees have been charged with or convicted of a criminal offense which, although it would not legally prohibit the district from continuing to employ the individual, nonetheless should be considered for the purpose of determining the individual's continued suitability to be in direct contact with children. We considered the lack of written procedures or policies addressing criminal convictions subsequent to the date of hire, although not legally required, to be an internal control weakness that could result in the continued employment of individuals who may nonetheless pose a risk if allowed to continue to have direct contact with children.

We recommended that the district, in consultation with its solicitor, implement procedures to ensure it is notified when drivers, or any employee who has direct contact with children, were charged with or convicted of crimes that call into question the employees' suitability to continue to have direct contact with children.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

In its written response, the board disagreed with the observation, as follows:

There is no legal requirement to review criminal record[s] of employees after they are hired by the school district. The school district is in compliance with all laws and regulations pertaining to Criminal Background Checks (Act 34) and Child Abuse Reports (Act 151).

This response reiterated the response that management provided at the time of fieldwork for our prior audit. In our prior audit report, we agreed that the district had met the minimum legal requirements, but recommended the additional procedures to minimize risk to children.

Based on the results of our current audit, we concluded that the district did not take appropriate corrective action to address this observation.

Section 111 of the Public School Code 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.¹

Similarly, Section 6355 of the Child Protective Services Law (CPSL) 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.²

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts 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. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

¹ 24 P.S. § 1-111.

² 23 Pa.C.S. § 6355.

LOWER MERION SCHOOL DISTRICT PERFORMANCE AUDIT REPORT

Observation (Continued)

Our review of the personnel records of a random sample of 34 of 123 bus drivers currently employed by the Lower Merion School District again found that these individuals possessed the minimum requirements to be employed as bus drivers and that the Lower Merion School District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the Lower Merion School District from hiring any of the drivers. Therefore, we again concluded that the Lower Merion School District has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicant's suitability to have direct contact with children.

However, as noted in our previous audit, the district does not have written policies or procedures in place to ensure that it is 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. We reiterate our opinion that 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

We again recommend that the school board and district administrators consider, in consultation with the district's solicitor, implementing written policies and procedures to ensure the district is notified when current employees of the district 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 district considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

We further recommend that the board and district administrators consider developing a process to determine, on a case-by-case basis, whether prospective and current employees of the district 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.

Response of Management

Management provided us with a written response, again disagreeing with the observation, as follows:

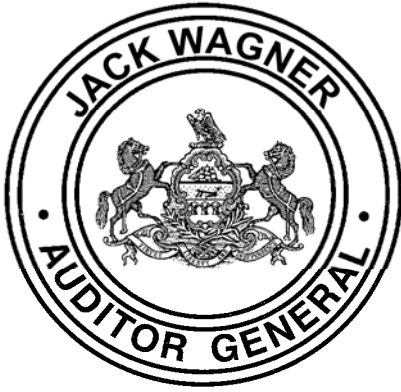
There is no legal requirement to review criminal records of employees after they are hired by the school district. The school district is in compliance with all laws pertaining to Criminal Background Checks (Act 34) and Child Abuse Reports (Act 151).

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Auditor's Conclusion

Again, we concede that there are no statutory requirements for our recommendations. However, we continue to feel that implementing these additional policies and procedures regarding the district's current and prospective bus drivers will further decrease the likelihood that its children will be put in an unsafe environment.



LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$13,842,413, \$13,223,501, \$11,824,554 and \$11,409,684, respectively, for the years ended June 30, 2006, 2005, 2004 and 2003, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
STATE REVENUE				
Basic Education	\$ 3,096,908	\$ 3,036,722	\$ 2,982,043	\$ 2,905,238
Charter Schools	42,063	27,078	11,029	13,094
School Performance Incentives	-	-	-	118,047
Tuition for Orphans and Children Placed in Private Homes	129,886	86,047	84,472	87,946
Homebound Instruction	693	599	472	495
Alternative Education	5,896	5,171	6,146	15,632
Special Education	2,889,956	2,838,303	2,804,920	3,046,545
Transportation	2,222,647	2,041,396	1,954,953	2,008,183
Rental and Sinking Fund Payments	163,098	-	-	-
Health Services	215,129	216,632	213,477	214,073
PA Accountability	142,985	143,285	-	-
Safe Schools	-	-	13,327	3,332
Social Security and Medicare Taxes	3,012,805	2,849,793	2,680,246	2,533,366
Retirement	1,910,347	1,978,475	1,073,469	463,733
School District Demonstration Grant	10,000	-	-	-
<u>TOTAL STATE REVENUE</u>	<u>\$13,842,413</u>	<u>\$13,223,501</u>	<u>\$11,824,554</u>	<u>\$11,409,684</u>

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

LOWER MERION SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

PA Accountability

Revenue received from the Commonwealth authorized by Act 48 of 2003 for school districts to implement research-based programs to boost student achievement.

Safe Schools

Revenue received from the Commonwealth as subsidy for Safe School programs.

Social Security and Medicare Taxes

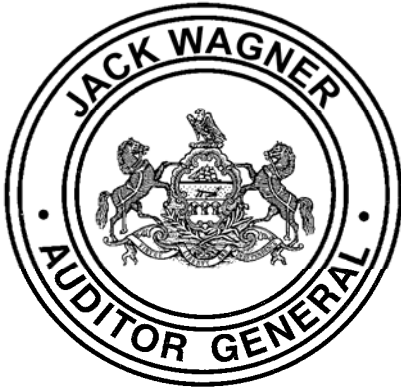
Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.



BUREAU OF SCHOOL AUDITS

AUDIT REPORT 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:

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

The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

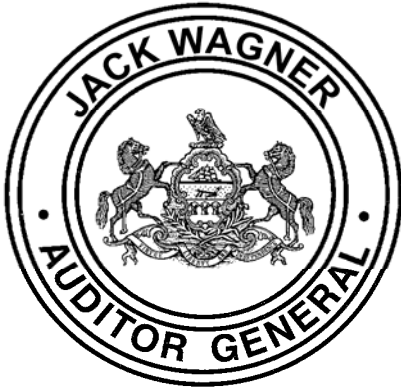
The Honorable Robin L. Wiessmann
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Senator James Rhoades
Chair
Senate Education Committee
362 Main Capitol Building
Harrisburg, PA 17120

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Democratic Chair
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