

MARPLE NEWTOWN SCHOOL DISTRICT
DELAWARE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JANUARY 2011

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

Mr. David J. McGinley, Board President
Marple Newtown School District
40 Media Line Road
Suite 206
Newtown Square, Pennsylvania 19073

Dear Governor Rendell and Mr. McGinley:

We conducted a performance audit of the Marple Newtown School District (MNSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 27, 2007 through April 23, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. 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 MNSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified two matters unrelated to compliance reported as observations. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

January 4, 2011

cc: **MARPLE NEWTOWN 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 Marple Newtown School District (MNSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the MNSD in response to our prior audit recommendations.

Our audit scope covered the period April 27, 2007 through April 23, 2010, 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 2007-08 and 2006-07.

District Background

The MNSD encompasses approximately 21 square miles. According to 2000 federal census data, it serves a resident population of 35,437. According to District officials, in school year 2007-08 the MNSD provided basic educational services to 3,499 pupils through the employment of 301 teachers, 371 full-time and part-time support personnel, and 21 administrators. Lastly, the MNSD received more than \$8.6 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the MNSD 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: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications.

Our current audit found that MNSD had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 6).

Observation No. 2: Internal Control Weakness Regarding Memoranda of Understanding.

Our audit of the MNSD's records found that the current Memoranda of Understanding (MOU) between the MNSD and its two law enforcement agencies were signed July 2007 and had not been updated. However, because of our audit, MNSD obtained updated MOUs with its law enforcement agencies in May 2010 (see page 9).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the MNSD from an audit we conducted of the 2005-06, 2004-05, 2003-04 and 2002-03 school years, we found the MNSD had taken appropriate corrective action in implementing our recommendations pertaining to the pupil transportation reporting errors (see page 11) but had not taken appropriate corrective action in

implementing our recommendations pertaining to internal control weaknesses in administrative policies regarding bus drivers' qualifications (see page 11).

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 April 27, 2007 through April 23, 2010, except for the verification of professional employee certification which was performed for the period March 9, 2007 through April 19, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 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 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.

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 MNSD'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 audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ 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.

MNSD 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 bus driver qualifications, professional employee certification and financial stability.
- Items such as Board meeting minutes.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on December 20, 2007, we performed audit procedures targeting the previously reported matters.

Findings and Observations

Observation No. 1

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 District had not implemented our prior audit recommendations regarding bus drivers' qualifications (see page 11). 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 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 implementing written policies and procedures to ensure that the District is immediately informed of any charges and convictions that may have occurred after the commencement of employment.

The District had not 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 *Marple Newtown School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractors 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 District is notified when current employees of the District's transportation contractors 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.

Management Response

Management stated the following:

The Marple Newtown School District is very aware of the legal requirements regarding Act 34 [criminal history record] and Act 151 [official child abuse] clearances needed for all employees and contractors having contact with children. The district's practices and procedures are consistent and comply with the current requirements. The District is not aware of any legal obligation to obtain updated Act 34 and Act 151 clearances for bus drivers or any other current employee in the school district.

The District also feels that, if this issue will be raised in all subsequent Auditor General's reports, that the AG's office informs the Pennsylvania Department of Education to issue new guidelines or mandates on this topic.

Since no violation of the current regulation has been noted or exists, the district strongly disagrees with this being addressed as an audit finding or observation. The district will try to develop guidelines to prevent further findings in future audits.

Auditor Conclusion

As stated in the body of the observation, we recognize that the District complied with minimum legal requirements. For that reason, we address this not as a finding but rather as an observation. We consider 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. Therefore, this observation will stand as presented. We are pleased that the District will develop guidelines.

Observation No. 2

Internal Control Weakness Regarding Memoranda of Understanding

Criteria relevant to the observation:

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

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.

Additionally, the Basic Education Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons, as well as the Complete All-Hazards School Safety Planning Toolkit disseminated by the Pennsylvania Emergency Management Association, contain a sample MOU to be used for 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.

Our audit of the District's records found that the current Memoranda of Understanding (MOU) between the District and its two law enforcement agencies were signed July 2007 and had not been updated. However, because of our audit, Marple Newtown School District obtained MOUs with its law enforcement agencies in May 2010.

The failure to update MOUs with all law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on 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.

Recommendations

The *Marple Newtown School District* should:

Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

Management Response

Management stated the following:

The Marple Newtown School District was having the memo of understanding updated every three years which was the requirement. If the requirement is now every year or every two years, the Marple Newtown School District

will begin to have the memo of understanding with the corresponding authorities updated at every two years.

Status of Prior Audit Findings and Observations

Our prior audit of the Marple Newtown School District (MNSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported finding and one observation. The finding pertained to pupil transportation reporting errors and the observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the MNSD did implement recommendations related to pupil transportation errors but not those related to bus drivers' qualifications.

<i>School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding: Pupil Transportation Reporting Errors Resulted in a Net Overpayment of \$77,385</i></u></p> <p>1. Require personnel responsible for pupil transportation reports to perform an internal audit of transportation data, prior to their submission of reports to the Department of Education (DE), in order to ensure their accuracy.</p>	<p>Background:</p> <p>Our prior audit of the District's pupil transportation records found errors in the number of nonpublic pupils transported to the District reported to DE for the 2004-05, 2003-04 and 2002-03 school years, resulting in a net reimbursement overpayment of \$77,385.</p>	<p>Current Status:</p> <p>Our current audit found that the MNSD implemented our recommendation. As a result of additional information obtained subsequent to our fieldwork completion date, DE recalculated the net reimbursement overpayment to be \$70,455. The revised overpayment was deducted from the District's February 2010 unipay.</p>
<p><u><i>II. Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the MNSD have been charged with or convicted of crimes that, even though not barred by state law, affect their suitability to have direct contact with children.</p>	<p>Background:</p> <p>Our prior audit found that the MNSD did not have written policies or procedures in place to ensure that they were notified if current employees were 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.</p>	<p>Current Status:</p> <p>Our current audit found that the MNSD has not complied with our recommendations. As of our fieldwork completion date, neither the District nor the contractor had adopted any policies or procedures to address our concerns (see Observation No. 1, page 6).</p>

2. Implement written policy and procedures to ensure the MNSD 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.		
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Distribution List

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

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