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Management Letter

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Dear Members:

In planning and performing our audit of the financial statements of Plum Borough School District as of and for the year ended June 30, 2011, we considered the School District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters:

Federal Programs

During the course of our audit, we became aware that several federal program reports contained errors when they were filed. We also had some considerable time delays as records for federal programs were searched for and located. Some of these problems were caused by the situation where several employees involved with federal programs left the School District during the year.

We recommend that one person with adequate time and knowledge have overall responsibility for the federal programs and that person attend all workshops and training available regarding these programs. That person should be charged with the supervision and administering of programs, reporting and recordkeeping in order to satisfy the requirements of these programs.

Budgetary Reporting

During the course of our audit, we became aware that the 2011/2012 budgeted revenues approved in the minutes do not agree to the budgeted revenues shown on the PDE-2028 which was sent in to the Pennsylvania Department of Education. The amount of this difference was \$133,894.

We recommend that a corrected Form PDE-2028 be filed.

Fixed Assets

During the course of our audit, we became aware that fixed asset acquisitions and deletions were not being properly accounted for. This seems to have been caused by failure to communicate between departments. This is, however, a repeat of problems encountered during our prior year's audit.

We have discussed this matter with various persons involved; however, we recommend that management monitor this area on an ongoing basis.

Fund Balance

During the performance of our audit, we became aware that the general fund balance exceeded 10% of the total expenditure budget.

We recommend that the School Board, by Board resolution, designate a portion of this fund balance for specific purposes as recommended by the Department of Education and required by the Government Accounting Standards Board Pronouncement Number 54.

This letter does not affect our report dated January 20, 2012 on the financial statements of Plum Borough School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various school personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood, LLP

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January 20, 2012