



PLUM BOROUGH SCHOOL DISTRICT CENTRAL ADMINISTRATION

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MEMORANDUM

Dr. Timothy S. Glasspool
Superintendent
Extension 6362

Dr. Guy A. Rossi
Assistant Superintendent
Extension 6360

Eugene J. Marraccini
Director of Business Affairs
Extension 6356

Michael R. Brewer
Director of Administrative
Services
Extension 6370

To: Plum Borough School District Board of Directors
From: Dr. Glasspool and Mr. Marraccini
Date: April 17, 2012
Ref: Administration's response to Management Letter for the 2010-11 Financial Audit

Dear Board Members,

Central Administration respectfully submits its response to the 2010-11 Independent Auditor's Management Letter prepared by Mr. Ed Mertz of Hosack, Specht, Muetzel & Wood, LLP which was presented and discussed in detail at the January 2012 Finance Committee Meeting.

Mr. Mertz's comments and suggestions and Central Administration's responses are as follows:

1. Federal Programs:

- Auditor's Comment: "During the course of the audit, we become aware that several federal programs reports contained errors when they were filed. We (auditors) 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 the federal programs left the district during the year."
- Auditor's Recommendation: "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 for these programs."
- Administration's Response: Our 3-year Federal Programs' audit is scheduled for May 3rd and 4th, 2012. Recent consultation with our PDE Federal Programs representative, Virginia Baker, indicates our Federal Program financial accounting, reporting, implementation, compliance, and application adheres to USDOE and PDE standards. Additionally, the October 2010 Department of Education ARRA audit had zero findings. Mr. Knisley, our current Federal Programs Coordinator, has participated in the New Coordinator training (12 hours), participates in the Federal Programs Academy (4 hours per month), and consults annually with our PDE representative; he is well versed in Federal Programs administration and recording keeping. The 2010-2011 school year's Federal funding is \$609,434. This current funding does not cover current program expenses. Paying a federal coordinator to specifically account and administer the program is not financially responsible nor does it warrant a full-time position or salary. The addition of a full-time Federal Programs Coordinator would not increase Federal funding, as the District does not qualify for additional program funding. The perceived time delays in producing records had no implications on the overall accounting, reporting, and tracking of the financial or programmatic administration of our federal programs as measured by this independent financial audit.

2. Budgetary Reporting: (For 2011-12 Budgeted Revenues)

- Auditor's Comment: "During the course of the audit, we become aware that the 2011-12 budgeted revenues approved in the minutes do not agree to the budgeted revenues shown on the PDE-2028 which was sent to the Pennsylvania Department of Education. The amount of this difference was \$133,894."

Board of School Directors

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MISSION STATEMENT

Plum Borough School District, a large, growing suburban area, in partnership with students, parents and community, will strive to achieve excellence in education by preparing all students to take their place in the diverse and changing world of the 21st century. The District will provide a safe and stimulating environment that will promote and support critical thinking and life-long learning.



- Auditor's Recommendation: "We recommend that a corrected Form PDE-2028 be filed."
- Administration's Response: The submission of the required PDE documentation occurred just after the transformer lighting strike and subsequent power, sever, and software outage. Administration will file a correct PDE-2028 form.

3. Fixed Assets:

- Auditor's Comment: "During the course of the audit, we become 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 the prior year's audit."
- Auditor's Recommendation: "We have discussed this matter with various persons involved; however, we recommend that management monitor this area on an ongoing basis."
- Administrative Response: This area of responsibility was assigned to Ms. Kathy George (Retired 12-31-11) during the 2010-11 fiscal year. The auditor is correct that when items were traded in as part of a purchase, departments weren't notifying Ms. George with the details. This responsibility has been transferred to Central Administration and auditor's recommendations will be implemented.

4. Fund Balance:

- Auditor's Comment: "During the performance of our audit, we became aware that the general fund balance exceeded 10% of the total expenditure budget."
- Auditor's Recommendation: "We recommend that the School Board, by Board Resolution, designate a portion of the fund balance for specific purposes as recommended by the Department of Education and required by the Government Accounting Standards Board Pronouncement Number 54."
- Administrative Response: Central Administration takes exception to this finding since the 8% limitation for the following reason: The 8% limitation only applies if the District plans to increase property taxes (millage) without first using funds that exceed 8% of budgeted expenditures. This is not the case for our District, thus having funds in excess of 8% of the expenditures does not violate any PDE regulations or guidelines.

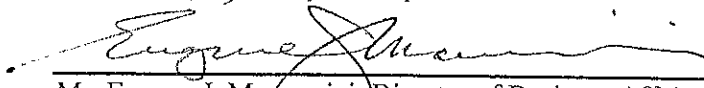
Note: In prior years' Management Letters, this same recommendation was made. It has been a practice of the Board of Directors to have available funds in the budgetary reserve to equalize budgetary revenue shortfalls. No projects have been identified that would require the use of these funds this year.

If you have any questions, please feel free to contact Dr. Glasspool or Mr. Marraccini.

Respectfully submitted,



Dr. Timothy S. Glasspool, Superintendent of Schools



Mr. Eugene J. Marraccini, Director of Business Affairs

Attachment: Copy of 2010-11 Audit Management Letter

Presented at the April 17, 2012 Finance Committee Meeting.

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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

HOSACK, SPECHT, MUETZEL & WOOD LLP

January 20, 2012