

GARNET VALLEY SCHOOL DISTRICT  
DELAWARE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2009



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

Mr. Michael J. Hanlon, Esquire, Board President  
Garnet Valley School District  
80 Station Road  
Glen Mills, Pennsylvania 19342

Dear Governor Rendell and Mr. Hanlon:

We conducted a performance audit of the Garnet Valley School District (GVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 17, 2004 through April 23, 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, 2005, 2004 and 2003, 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 GVSD complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

March 12, 2009

cc: **GARNET VALLEY SCHOOL DISTRICT** 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 Garnet Valley School District (GVSD). Our audit sought to answer certain questions regarding the GVSD's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the GVSD in response to our prior audit recommendations.

Our audit scope covered the period September 17, 2004 through April 23, 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, 2004-05, 2003-04 and 2002-03, 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.

### **District Background**

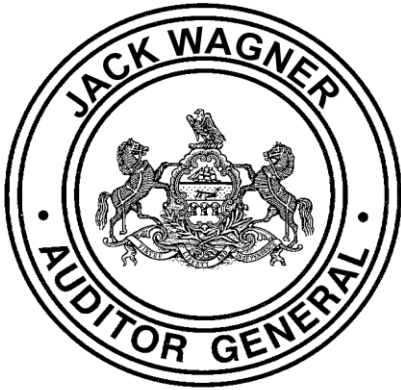
The GVSD encompasses approximately 21 square miles. According to 2000 federal census data, it serves a resident population of 18,835. According to District officials, in school year 2005-06 the GVSD provided basic educational services to 4,396 pupils through the employment of 338 teachers, 300 full-time and part-time support personnel, and 40 administrators. Lastly, the GVSD received more than \$7.6 million in state funding in school year 2005-06.

### **Audit Conclusion and Results**

Our audit found that the GVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one compliance-related matter reported as a finding.

**Finding: Pupil Membership Classification Errors Resulted in Overpayments of \$38,471 in Tuition for Children Placed in Private Homes.** Our audit of pupil membership reports submitted to the Department of Education found errors in nonresident student membership classifications, resulting in overpayments of Commonwealth-paid tuition for children placed in private homes (see page 6).

**Status of Prior Audit Findings and Observations.** There were no findings or observations in the prior audit of the 2001-02 and 2000-01 school years (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 September 17, 2004 through April 23, 2008, except for certification which was reviewed for the period August 20, 2004 through January 7, 2007.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06, 2004-05, 2003-04 and 2002-03 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 districts have the same school years, some 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 GVSD'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 District receives state subsidy reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District 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 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 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.

GVSD 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 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 GVSD operations.

## Findings and Observations

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### Finding

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### **Pupil Membership Classification Errors Resulted in Overpayments of \$38,471 in Tuition for Children Placed in Private Homes**

*Criteria relevant to this finding:*

DE's Basic Education Circular 42 U.S.C. § 11431, Education of Homeless Youth (BEC) states that under the Pennsylvania Education of Homeless Children and Youth State Plan, homeless children include "children living with a parent in a domestic violence shelter."

Furthermore, Section VII A of the BEC, Fiscal Responsibilities, states in part:

2. For homeless individuals in temporary shelters, the educating school district will send a PDE-4605 Determination of District of Residence . . . to the presumed district of residence;
3. If PDE-4605 is acknowledged by the resident district, the educating district . . . will bill the resident district for tuition . . .; and
4. If PDE-4605 is disclaimed and a district of residence cannot be determined, the child will be considered a ward of the state. . . . The Department of Education will pay tuition to the educating district. . . .

Our audit of pupil membership reports submitted to the Department of Education (DE) for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found errors in nonresident student membership classifications for the 2005-06 and 2003-04 school years, resulting in:

- an overstatement of elementary nonresident membership for children placed in private homes by 745 days in the 2005-06 school year; and
- an overstatement of elementary nonresident membership for children placed in private homes by 133 days in the 2003-04 school year.

The errors resulted in overpayments of tuition from the Commonwealth to the District for children placed in private homes. The overpayments were \$32,531 and \$5,940, respectively.

Our audit found that the errors for the 2005-06 school year occurred because some pupils were reported as children placed in private homes when in fact they should have been reported as nonresident students in group housing. The child accounting supervisor stated she had intended to report them as wards of the state for whom tuition would be paid by the Commonwealth. Tuition for nonresident students in group homes is to be paid by the students' resident school district. However, the District failed to send a PDE-4605 form to the School District of Philadelphia, the presumed district of residence of the students, to determine residency. As stated in the Basic Education Circular quoted in the box to the left, a child is considered a ward of the state if residency is disclaimed by the presumed school district of residence and a District of residence cannot be determined.

We found a mathematical error by District personnel when they completed elementary nonresident grade totals for the 2003-04 school year.

Child accounting guidelines and instructions require the accurate reporting of pupil membership days and student classification, since these are major factors in calculating various subsidies and reimbursements.

DE has been provided a report detailing the membership errors for use in recalculating the revenue received from the Commonwealth as tuition for orphans and children placed in private homes.

## Recommendations

*Garnet Valley School District personnel* should:

1. Strengthen their internal review procedures to ensure the accurate reporting of membership data.
2. Accurately identify and report nonresident student membership.
3. Ensure that PDE-4605 forms are sent to resident school districts for all nonresident students in group housing.
4. Review membership reports filed for the years subsequent to the audit period and, if errors are found, submit revised reports to DE.

The *Department of Education* should:

5. Adjust the District's allocations to recover the overpayments of \$38,471.

## Management Response

Management disagreed with the finding and stated:

### **Garnet Valley School District Response to Child Accounting Finding:**

PathWays (the WAC [Women's Alternative Center]) is a residential program located in the boundaries of Garnet Valley School district, which provides shelter and supportive services to mothers and their children who are at risk due to abuse and neglect. The program addresses issues around "homelessness", family violence, parenting and substance abuse, in order to enhance the development, prevent the recurrence of high-risk behaviors, and to promote family economic self-sufficiency.

According to Basic Education Circular, Education for Homeless Youth, 42 U.S.C. 11431 et seq. homeless children are defined as:

Children living with a parent in a domestic violence shelter; run-away children and children and youth who have been abandoned or forced out of their home by parents or other caretakers; and school age parents living in houses for school age parents if they have no other available living accommodations.

For homeless individuals in temporary shelters, the educating school district needs to determine the district of residence for the child. If a district of residence (Sec[tion] 1306 not-ward of the state) cannot be determined, the child will be considered a ward of the state (Sec[tion] 1306 – ward of the state) and the educating district will enter the child on its rolls as a nonresident ward of the state and will report membership according to PDE child accounting procedures.

PathWays was, and continues to be, non-responsive to the district's repeated requests for information about the previous home address. PathWays consistently refuses to divulge previous residence information, if any, because of its concern about the safety and security of its residents (both mothers and their children). Access to their campus is restricted and controlled to further safeguard their residents. Instead, PathWays only will document that these persons are residents of its shelter. The district treats these signed forms as evidence that there is no other residence other than the shelter.

The previous child accounting supervisor would simply report PathWays children as residents of Philadelphia, without any residency information. Philadelphia School District would not respond to these residency verifications; therefore, the district has not received tuition for these children in prior years.

The state auditor asked how this district knows that the students are from Philadelphia. We don't know if the students were students in Philadelphia, because they may not have been enrolled, or were truant. As transients and homeless, they would not have had a permanent address to establish residency in Philadelphia. But, we do know that the shelter only has a contract for services with Philadelphia, so children are not coming from other school districts to the shelter.

The district's social worker, who acts as its liaison with PathWays, considers these children to be homeless. Her supporting statement is attached to, and is made part of, this response. Like the district's child accounting supervisor, she is also unable to obtain any prior residency information from PathWays, in spite of her close, working relationship with PathWays arising from placement services and other services being provided by the district.

The current child accounting supervisor decided that:

1. Since our district's repeated requests for verification (without providing home addresses) to the Philadelphia School District was futile (never acknowledged in prior years)
2. Since the home residence address is not available, will not be disclosed by PathWays, or in fact does not exist
3. Since these mothers are homeless and transients
4. Since PathWays considers these persons to be residents of their shelter,

it was more appropriate to treat these children as homeless and therefore, wards of the state, as provided for by the McKinney- Vento Federal Act of 2001.

If these children are not found to be wards of the state, then the district will not receive subsidies, nor is it able to bill, or collect, tuition from Philadelphia.

It is the district's contention that these children are truly homeless and wards of the state. The shelter they live within refuses to divulge any information about their prior residence, if any, in the interests of their continuing safety.

Instead Pathways maintains that these persons are residents of the shelter (see their signed forms for each of the students and mothers being challenged by the auditor). The district disagrees with the proposed audit finding and will consider requesting its local state representative to intercede if this proposed finding stands.

**Supporting Statement by Social Worker Employed by Garnet Valley School District**

The Center for Families, which is part of the PATHWAYS of PA programs, houses up to 16 mothers and their children. The center has a contract with the Department of Human Services (DHS) in Philadelphia. The residents are placed at the center through the Family Court Division in Philadelphia, via a DHS recommendation.

When I began working with the center, my interactions with the staff and families was limited. I faced many barriers getting cooperation from the staff and the residents. I have developed a working relationship with the current staff over the last 2 years. Though the staff has changed in that time, I have been able to maintain a cohesive and cooperative professional working relationship.

I am in weekly contact with the center's director and/or case manager regarding many issues. Most of the issues revolve around the status of the residents. At times, the residents can be transient through the program. A family can only stay in the program for up to 2 years. At the end of the 2 years, the mother and children apply for housing. The staff works very closely with the family to assure they are ready to be independent, manage their finances and provide the stable environment their children need. The reason for the housing being found is that the mothers come into the program with nowhere to live. They can also come into the program for protection from abusive relationships. And for some mothers, this is their last chance to maintain custody of their children.

These mothers can come from living on the streets, from living in cars, or they can be transients with no known previous permanent address, resting at night in hovels.



Sometimes these mothers arrive at the shelter with children aged three, four or five who may not have had any schooling previously, because of their age, but who will begin to commence schooling as they become of age. There would be no “sending district” in these situations.

Sometimes these mothers arrive with children who have missed enrolling in their previous, transient location and these children are truant in their education. The prior district will have no record of these students, since they are not enrolled.

When a new resident arrives at the center, I am notified to come over and do a registration packet with them, if they have a child that is school age. I also go in the summer to work with residents that may have been at the center for awhile, who now have a child that is school age.

When I am helping a resident complete a registration packet, we go page by page. I do not discuss their previous address, due to the facts stated above. I presently am working with mothers at the center who were living in condemned houses, hovels, and bounced between the homes of their friends and family. I slowly get to know the mothers and their stories over time. Due to the sensitive nature of their placement, I am mindful of HIPPA [Health Insurance Portability and Accountability Act] regulations and their right to privacy.

### **Auditor Conclusion**

We appreciate the District’s difficulties in determining the district of residence. However, that does not alleviate the District from its responsibility to determine the district of residence for all nonresident pupils. Furthermore, our discussions with DE personnel during fieldwork for our audit support our position. If the District fails to seek acknowledgement from the district of residence, it cannot receive tuition from the Commonwealth; furthermore, it is also unable to determine which district should pay the tuition. Therefore, the finding will stand as written.

Subsequent to our fieldwork completion date, District personnel forwarded to us documentation of their attempt to determine the district of residence for the pupils cited in our finding. The District should consult with DE regarding how to proceed if problems are encountered.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Garnet Valley School District (GVSD) for the school years 2001-02 and 2000-01 contained no findings or observations.

## **Distribution List**

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This report was initially distributed to the superintendent of the school district, 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  
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Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
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The Honorable Robert M. McCord  
State Treasurer  
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Senator Jeffrey Piccola  
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Senator Andrew Dinniman  
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