

PEQUEA VALLEY SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

OCTOBER 2009

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

Mr. Bryant J. Ferris, Board President
Pequea Valley School District
166 South New Holland Road
P.O. Box 130
Kinzers, Pennsylvania 17535

Dear Governor Rendell and Mr. Ferris:

We conducted a performance audit of the Pequea Valley School District (PVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period March 17, 2005 through April 9, 2009, 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, 2007, 2006 and 2005, 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 PVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

October 8, 2009

cc: **PEQUEA VALLEY 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 Pequea Valley School District (PVSD). 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 PVSD in response to our prior audit recommendations.

Our audit scope covered the period March 17, 2005 through April 9, 2009, 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, 2006-07, 2005-06 and 2004-05.

District Background

The PVSD encompasses approximately 88 square miles. According to 2000 federal census data, it serves a resident population of 19,590. According to District officials, in school year 2007-08 the PVSD provided basic educational services to 1,858 pupils through the employment of 147 teachers, 49 full-time and part-time support personnel, and 9 administrators. Lastly, the PVSD received more than \$5.8 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the PVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified one matter unrelated to compliance that is reported as an observation.

Observation: Internal Control Weakness Regarding Memorandum of Understanding

Our audit found the PVSD has on file a properly executed Memorandum of Understanding (MOU) with the Pennsylvania State Police. However, that MOU has not been updated and re-executed since July 1998 (see page 5).

Status of Prior Audit Findings and Observations

With regard to the status of our prior audit recommendations to the PVSD from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the PVSD had taken appropriate corrective action in implementing our recommendations pertaining to the establishment of policies and/or procedures to notify the district when any of its school bus drivers are charged with or convicted of a crime, subsequent to employment, that would call into question their suitability to have direct contact with children (see page 7).



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 March 17, 2005 through April 9, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 PVSD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answer to the following question, which serve as our audit objective:

- ✓ 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.

PVSD 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.

We interviewed selected administrators and support personnel associated with PVSD operations.

To determine the status of our audit recommendations made in a prior audit report released on October 14, 2005, we reviewed the PVSD's response to DE dated January 12, 2006. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Internal Control Weakness Regarding Memorandum of Understanding

Criteria relevant to the observation:

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

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. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Educational Circular issued by the Department of Education entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by 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 review of District records found the District has on file a properly signed Memorandum of Understanding (MOU) between itself and the Pennsylvania State Police Department (PSPD); however, the MOU has not been updated since July, 1998.

The failure to update the MOU with the local law enforcement agency 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 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 *Pequea Valley School District* should:

1. In consultation with its solicitor, review, update and re-execute the current MOU between the District and the PSPD.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Management Response

Management stated the following:

It is in management's opinion that the District followed the intent of Pennsylvania School Code 24 PS 13-1303A(c) that "All school entities develop a Memorandum of Understanding (MoU) with local law enforcement . . ." The district has an MoU with the PA State Police that was executed on 7/7/1998. Nowhere in the statute does it state, explicitly or implicitly, that this document must be renewed every two years. Additionally, the Basic Education Circular (BEC) issued July 1, 2002, on Safe Schools and Possession of Weapons does not explicitly or implicitly state that there is any required timeline to have this document renewed. As such, management disagrees with the observation of an internal control weakness.

Auditor Conclusion

We recognize that the Pennsylvania School Code does not require periodic updates of MOUs; for that reason we present this as an observation rather than a finding. However, it is the opinion of the Department of the Auditor General that the re-execution period suggested by the BEC issued by DE is prudent. Therefore, the observation remains as written.

Status of Prior Audit Findings and Observations

Our prior audit of the Pequea Valley School District (PVSD) for the school years 2003-04, 2002-03, 2001-02, and 2000-01 resulted in one reported observation. The observation pertained to internal control weaknesses 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 analyzed the PVSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the PVSD did implement recommendations related to the observation.

<i>School Years 2003-04, 2002-03, 2001-02, and 2000-01 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications</i></u></p> <ol style="list-style-type: none"> 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 the District 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, 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. 	<p>Background:</p> <p>Our prior audit found that neither the District nor the contractor had 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. We considered this lack of written policies and procedures to be 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.</p>	<p>Current Status:</p> <p>Our current audit found that the District adopted Board Policy #810 on October 11, 2007, which states, in relevant part:</p> <p>District bus drivers and/or the district's transportation contractors shall be responsible to inform the District in writing at the beginning of each school year whether or not they or any of their employees:</p> <ol style="list-style-type: none"> 1. Have been charged, subsequent to approval as a District bus driver, with a criminal offense that would bar their employment as bus drivers or contracted service providers. 2. Were charged with a crime deemed serious under the criteria established by law. 3. Have been charged with or convicted of crimes that affect their suitability to have direct contact with students.

		<p>This responsibility is in addition to the requirement for clearances that must be presented to the District when an individual is initially hired by the District or the contract carriers.</p> <p>The District and contract carriers shall have procedures in place to ensure they are notified by their employees when the employees are charged with crimes or child abuse.</p> <p>Additionally, the current transportation contract between PVSD and its transportation contractor requires the contractor to comply with District policies.</p>
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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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