

**A SPECIAL INVESTIGATION OF
SHENANDOAH VALLEY SCHOOL DISTRICT,
SCHUYLKILL COUNTY, PENNSYLVANIA**

August 2007

**AUDITOR GENERAL JACK WAGNER
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL**

Mr. Christopher M. Knapp
President
SHENANDOAH VALLEY SCHOOL DISTRICT
BOARD OF EDUCATION
805 West Centre Street
Shenandoah, Pennsylvania 17976

Dear Mr. Knapp:

In August 2006, the Pennsylvania Department of the Auditor General's Bureau of School Audits requested that the Department's Office of Special Investigations ("OSI") review allegations that the families and guardians of several students of the Shenandoah Valley School District ("SVSD") had provided false information on *Verification of Residence/Guardianship* ("VRG") forms filed at SVSD. This report contains the results of our special investigation, which was originally completed in October 2006, but was re-opened as a result of SVSD's February 22, 2007 response to the draft report and finally completed in June 2007.

In the process of conducting this investigation, OSI reviewed several sets of SVSD records, including emergency contact forms, VRG forms, and sports rosters, and conducted interviews with students' families and guardians, and other witnesses. The period under review generally covered the 2006-07 school year, unless otherwise specified.

During the course of this investigation, we found the following:

- During the first semester of the 2006-07 school year, at least 31 students attended SVSD under false VRG forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Public School Code of 1949, as amended; and
- During the second semester, even after corrective measures were instituted by the SVSD administration, at least 23 of those 31 students were still attending SVSD schools in violation of Section 1302.

These findings are troubling, as Section 1302 was clearly intended to prevent the taxpayers who actually reside in, and therefore financially support, SVSD from effectively being forced to subsidize the educations of non-residents of the district who do not financially support the district but yet want their children to attend district schools nonetheless.

Although it was also alleged that SVSD students' families and guardians had filed false VRG forms so that the students could participate in SVSD sports programs and that SVSD Board Members had assisted families and guardians in filing the false VRG forms, we did not find any evidence to support or confirm these two allegations.

We urge SVSD to implement all of the recommendations made in this report to address the findings stated above. The Department of the Auditor General will follow up at the appropriate time to determine whether our recommendations have been implemented. We are also forwarding copies of this report to the Pennsylvania Department of Education and to the District Attorney of Schuylkill County for their review and whatever further action they may deem appropriate.

This report is a public document and its distribution is not limited. Additional copies may be obtained through the Department's website, www.auditorgen.state.pa.us.

Sincerely,

JACK WAGNER
Auditor General

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EXECUTIVE SUMMARY

FINDINGS:

During the first semester of the 2006-07 school year, at least 31 students attended Shenandoah Valley School District (“SVSD”) under false *Verification of Residence/Guardianship* (“VRG”) forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Public School Code of 1949, as amended, and during the second semester, even after corrective measures were instituted by the SVSD administration, at least 23 of those 31 students were still attending SVSD schools in violation of Section 1302.

CONCLUSIONS AND RECOMMENDATIONS:

The purported guardians filed these forms in an attempt to deceive SVSD’s administration into believing that the students were actually residing with the purported guardians throughout the entire school year and that the purported guardians were financially supporting the students, in order to avoid paying tuition to SVSD. In addition to losing over \$182,000 in uncollected tuition revenue, SVSD received more state funds from the Pennsylvania Department of Education (“PDE”) than it was entitled to receive.

This occurred in part because SVSD was lax in its efforts to enforce the requirements set forth in the Public School Code, a regulation promulgated thereunder, and a Basic Education Circular issued by PDE, as well as SVSD’s own policies and procedures.

These findings are troubling, as Section 1302 was clearly intended to prevent the taxpayers who actually reside in, and therefore financially support, SVSD from effectively being forced to subsidize the educations of non-residents of the district who do not financially support the district but yet want their children to attend district schools nonetheless.

We recommend that SVSD management:

- Consult with SVSD’s solicitor regarding SVSD’s legal right and obligation to collect the tuition that is due and owing to it and to pursue the penalties set forth in Section 1302 of the Public School Code and pertinent provisions of the Crimes Code relative to those persons who provided false information on the VRG forms;
- Enhance SVSD’s policies and procedures by adopting additional methods that may be used to verify compliance with Section 1302 by students and guardians,

including:

- A requirement that the student's guardian provide additional supporting documentation to show that the student is residing with and being supported by the guardian. SVSD should reference the attachments section of this report to determine PDE's guidelines and suggestions for the reasonable additional information necessary to substantiate information stated on the VRG forms; and
- A requirement that the student's guardian file, in addition to the VRG form, contain a more detailed questionnaire that would supplement information contained on the VRG form. SVSD should reference the attachments section of this report to determine PDE's guidelines and suggestions for more detailed information;
- Add a new section to its Policy and Procedure Manual, titled *Enforcement of Residential Status and Due Process Rights*, which would include the following statements:
 - SVSD has the responsibility and right to use legal means available to ensure the students enrolled within SVSD schools are legal residents meeting the standards of residency as defined by the Public School Code and the Pennsylvania Department of Education. SVSD and/or other entities will utilize standard investigation procedures and methods, including home visits, surveillance of students, and verification of information with third parties, social agencies, schools and governmental organizations and agencies, when deemed appropriate and necessary, as a means to substantiate actual residency status of students. SVSD recognizes that access to public education is a basic property right and cannot be denied without due process;
- Work with PDE to determine and repay the amount of state subsidy that had been overpaid to SVSD for the 2006-07 school year and any other school years; and
- Take whatever additional steps it deems appropriate and necessary to ensure compliance with the requirements of the Public School Code.

We are also forwarding copies of this report to the Pennsylvania Department of Education and the District Attorney of Schuylkill County for their review and whatever further action they may deem appropriate.

ADDITIONAL COMMENTS:

We investigated two additional allegations. Although it was also alleged that SVSD students' families and guardians had filed false VRG forms so that the students could participate in SVSD sports programs and that SVSD Board Members had assisted

families and guardians in filing the false VRG forms, we did not find any evidence to support or confirm these two allegations.

BACKGROUND AND INTRODUCTION

In August 2006, the Department of the Auditor General's ("Department") Office of Special Investigations ("OSI") was contacted by the Department's Bureau of School Audits ("BSA") regarding a Citizen Inquiry ("CI") dated April 5, 2006. The CI had been received by BSA prior to the commencement of BSA's regularly-scheduled audit of Shenandoah Valley School District ("SVSD"), which began on June 8, 2006. The report of BSA's audit has not been finalized and released as of the date of this report.

The CI made the following specific allegations regarding the filing of *Verification of Residence/Guardianship* forms ("VRG forms" or "sworn statements") at SVSD:

- More than 40 students, from over 20 different families, were attending SVSD schools tuition-free under false VRG forms and for the sake of sports programs;
- These students were not actually living with the relatives or guardians who were listed on the VRG forms;
- Some members of SVSD's board of school directors ("Board Members") were helping to perpetrate the filing of the false VRG forms; and
- The neighboring school districts affected by the filing of the false VRG forms were Hazelton Area, North Schuylkill Area, Mahanoy Area, and Bloomsburg Area. (Although Bloomsburg Area School District was included in the allegation, our investigation found that Hazelton Area, North Schuylkill Area, Mahanoy Area, Minersville Area, and Saint Clair Area School Districts were the neighboring school districts that were actually affected.)

BSA requested the assistance of OSI in conducting an investigation into the filing of VRG forms at SVSD relative to the 2006-07 school year. OSI's approach to conducting this investigation consisted of the following:

- Obtaining the total population of students for whom VRG forms were filed during the 2005-06 school year and/or prior to the start of the 2006-07 school year ("VRG Students");
- Reviewing each VRG Student's permanent folder maintained at SVSD to gather background information on each student;
- Reviewing emergency contact forms and sports rosters on file at SVSD to obtain additional background information and parent addresses, if available;
- Conducting interviews with the VRG Students' purported guardians at their residences or via telephone;
- Conducting follow up interviews with the VRG Students' parents, if applicable, at their residences, places of employment, or via telephone;

- When necessary, conducting surveillance and inspection of a purported guardian's residence, or a parent's residence, or both, to determine inconsistencies with the living arrangements set forth on the VRG forms; and
- Making a determination for each VRG Student, based on evidence gathered during investigative fieldwork, as to whether the VRG form was filed under false pretenses or violated any requirement of the Public School Code of 1949, as amended ("Code").¹

The following are the specific allegations investigated by OSI:

Allegation No. 1: Students attended SVSD under false *Verification of Residence/Guardianship* forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Code.

Allegation No. 2: SVSD students' families or guardians filed false *Verification of Residence/Guardianship* forms so that the students could participate in SVSD sports programs.

Allegation No. 3: One or more SVSD School Board Members assisted students' parents or guardians in the filing of false *Verification of Residence/Guardianship* forms.

Our conclusions and recommendations with regard to each of these allegations are set forth in this report. SVSD was provided with a draft copy of this report for its review and comment. SVSD's response, dated February 22, 2007, is included at the end of this report, followed by the Department's comments on that response.

As a result of assertions made in SVSD's response to the draft report to the effect that corrective measures instituted after the original investigation ended had resulted in the total elimination of non-compliance with Section 1302, we re-opened the investigation in order to review the files of the 31 VRG students originally identified as not in compliance with Section 1302 and determine whether sufficient additional documentation had been provided by the students' purported guardians to bring those students into compliance. The draft report has been redrafted to some extent to incorporate the results of this review, which are discussed at length in the final section of this report titled "Department of the Auditor General's Comments on District's Response to Draft Report."

¹ Act of March 10, 1949, P.L. 30, No. 14, *as amended*, 24 P.S. § 1-101 *et seq.* (Public School Code of 1949).

FINDINGS AND RECOMMENDATIONS

FINDINGS: During the first semester of the 2006-07 school year, at least 31 students attended Shenandoah Valley School District under false *Verification of Residence/Guardianship* forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Public School Code of 1949, as amended, and during the second semester, even after corrective measures were instituted by the SVSD administration, at least 23 of those 31 students were still attending SVSD schools in violation of Section 1302.

The filing of VRG forms is mandated by Section 1302 of the Public School Code, which provides, in pertinent part, as follows:

Section 1302. Residence and right to free school privileges.

(a) A child shall be considered a resident of the school district in which his parent or the guardian of his person resides. . . . When a resident of any school district keeps in his home a child of school age, not his own, supporting the child gratis as if it were his own, such child shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district in the same manner as though such child were in fact a resident school child of the district, and shall be subject to all the requirements placed upon resident school children of the district. Before such child may be accepted as a pupil, such resident shall file with the secretary of the board:

(1) appropriate legal documentation to show dependency or guardianship; or

(2) a sworn statement that he is a resident of the district, that he is supporting the child gratis, that he will assume all personal obligations for the child relative to school requirements, and that he intends to so keep and support the child continuously and not merely through the school term. The school board, pursuant to guidelines issued by the Department of Education, may require other reasonable information to be submitted by the resident to substantiate the sworn statement. The form containing the sworn statement shall include notice in large print of penalty for providing false information in the sworn statement.

(b) If it is found that information contained in the sworn statement is false, the child must be removed from the school after notice of an opportunity to appeal the removal pursuant to the appropriate grievance policy of the school district.

(c) Notwithstanding any other provision of law to the contrary, a person who knowingly provides false information in the sworn statement for the purpose of enrolling a child in a school district for which the child is not eligible commits a summary offense and shall, upon conviction for such violation, be sentenced to pay a fine of no more than three hundred dollars (\$300) for the benefit of the school district in which the person resides or perform up to two hundred forty (240) hours of community service, or both. In addition, the person shall pay all court costs and shall be liable to the school district for an amount equal to the cost of tuition calculated in accordance with section 2561 during the period of enrollment.²

Additionally, the School Services Unit of the Pennsylvania Department of Education (“PDE”) issues *Basic Education Circulars* (“BEC”) that provide Pennsylvania school districts with further information and guidance on specific sections of the Code, as well as changes, updates, and amendments to the Code.

The BEC dated December 7, 2001 that references Section 1302 of the Code is titled *Education of Children Residing With an Adult Other Than Natural Parent*.³ This BEC⁴ provides, in pertinent part, as follows:

This BEC alerts you to your responsibilities and obligations under the state statute which addresses the provision of a free education to a child residing with an adult other than the natural parents [footnote deleted]. The statute governing a school district’s obligation to provide

² 24 P.S. § 13-1302.

³ This *Basic Education Circular* is accessible on PDE’s website, www.pde.state.pa.us/k12/cwp/view.asp?A=11&Q=54253.

⁴ In addition to Section 1302 of the Code, this BEC references the State Board of Education Regulation found at 22 Pa Code § 11.19, which provides, in pertinent part, as follows:

§ 11.19. Nonresident child living with a district resident

(a) A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the resident’s own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is a resident of the district, the child is supported fully without personal compensation or gain and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term. * * * The school board may require other reasonable information to be submitted by the resident to substantiate the sworn statement in accordance with guidelines established by the Department [of Education], as authorized by section 1302[(a)](2) of the Public School Code of 1949 (24 P.S. [§] 13-1302[(a)](2)). . . .

free school privileges to a child residing within its boundaries is found at [Section] 1302 of the Pennsylvania School Code of 1949.

Any child who meets the minimum requirements of this statute is entitled to attend public school in the resident district of the adult who is supporting him or her gratis. An adult residing in the school district is required to file either appropriate legal documentation to show dependency or guardianship or a sworn statement that the adult is a resident of the school district, that he or she is supporting the child gratis, will assume all personal obligations for the child relative to school requirements, and intends to keep and support the child continuously and not merely through the school term. The school district may, pursuant to the attached guidelines, require other reasonable information to be submitted by the resident to substantiate the sworn statement. Upon such filing, the school entity must enroll the child in question.

Students residing with an adult other than the natural parent shall be enrolled and placement made the next scheduled school day following receipt of documents from the resident that are required by Pennsylvania Law and *one* of the following:

- Verification that student resides at a Federal installation
- Appropriate legal documentation (court order) to show dependency or guardianship
- Sworn statement (notarized) indicating that signer is a resident of the district, is supporting the child gratis (without personal compensation or gain), will assume all personal obligations for the child relative to school requirements, intends to so keep and support the child continuously and not merely through the school term, and, when required, any reasonable information submitted by the resident to substantiate the sworn statement.

* * *

All school districts should review their policies to insure that they conform to the above provision and interpretation of [Section] 1302 of the Pennsylvania School Code of 1949.

The attached sample forms have been prepared for your convenience and may be adapted for local use.

The sample forms attached to this BEC are particularly important to SVSD. These sample forms, when distributed along with the VRG form, will allow SVSD to obtain additional and necessary information from purported guardians that will enable it to ensure compliance with Section 1302 of the Code. These sample forms, copies of which are attached to this report, are titled as follows:

- **Attachment #1:** *Guidelines for Reasonable Information to Substantiate Sworn Statement by Resident Under 24 P.S. § 13-1302*
- **Attachment #2:** *Sample Sworn Statement by Resident Under 24 P.S. § 13-1302*

SVSD's Board had adopted its own policy and procedure that cites specific sections of the Code. Section 202 of SVSD's Policy and Procedure Manual, titled *Eligibility of Nonresident Students*, provides as follows:

Section 202. Eligibility of Nonresident Students.

The Board may permit the admission of nonresident students in accordance with the terms of this policy.

The Board shall require that appropriate legal documentation showing dependency or guardianship or a sworn statement of residential support be filed with the Board Secretary before an eligible nonresident student may be accepted as a student in the district schools. The Board may require a resident to submit additional reasonable information to substantiate a sworn statement, in accordance with guidelines issued by the Department of Education.

The Board reserves the right to verify claims of residency, dependency and guardianship and to remove from school attendance a nonresident student whose claim is invalid.

The Board shall not be responsible for transportation to or from school for any student residing outside school district boundaries.

Tuition rates shall be determined in accordance with statute. Tuition shall be charged monthly, in advance of attendance.⁵

Section 1302 of the Code, and the State Board of Education regulation promulgated thereunder, establish the eligibility criteria for students who reside with guardians to attend SVSD schools. These eligibility criteria are also reflected in the BEC and SVSD's own Policy and Procedure Manual. OSI applied these established criteria to individual students to determine compliance with Section 1302. We note that the VRG form used by SVSD for the period covered by this investigation sets forth the requirements of Section 1302 verbatim, including the penalties imposed by the Code for providing false information. We also note that the person signing the VRG form must swear before a notary public that the information set forth therein is true and correct.

In order to conduct our investigative fieldwork on the issue of compliance with Section 1302, OSI first needed to determine the total population of VRG Students (those

⁵ SVSD Policy and Procedure Manual, Section 202 (Pupils), adopted October 23, 2003.

for whom VRG forms were filed or should have been filed). OSI made this determination based on the following information.

BSA provided OSI with a schedule on September 8, 2006 that indicated that VRG forms were filed for 36 SVSD students in the 2005-06 school year. However, SVSD personnel indicated that 4 of these 36 VRG students had graduated in 2006, leaving a total population of 32 VRG students for the start of the 2006-07 school year. SVSD personnel indicated that VRG forms were filed for 12 additional students for the 2006-07 school year, yielding a total of 44 VRG students subject to OSI investigation.⁶

OSI then applied the criteria set forth in Section 1302 to all 44 VRG students. The following three factors were used to test compliance with Section 1302:

- (1) Whether the 44 VRG students tested had a notarized sworn statement, including all the necessary information, on file at the SVSD for the 2006-07 school year.
- (2) Whether the 44 VRG students tested had a guardian “supporting the child gratis as if it were his own.”
- (3) Whether the 44 VRG students tested were residing with and supported by the guardian “continuously and not merely through the school term.”

OSI conducted over 70 interviews with guardians and parents of students, reviewed students’ permanent folders, and conducted residency site visits and surveillance that yielded the following results⁷ as to compliance with Section 1302 of the Code:

- Of the 44 students tested, 37 had VRG forms on file at SVSD for the 2006-07 school year.
- The remaining seven students were not required to have VRG forms on file at SVSD for the 2006-07 school year for the following reasons:
 - 2 students graduated or dropped out of school before the start of the 2006-07 school year;

⁶ During the course of the audit, BSA’s auditors stated that the VRG forms should be updated to include Section 1302 of the Code, which is required on the VRG form. SVSD’s administration updated the VRG forms in September 2006. As a result, SVSD sent out notification letters to all listed guardians which included the updated VRG form with instructions. Any additions OSI made to BSA’s 2005-06 school year population of VRG students were based on information that SVSD had available as of late September 2006, the time the investigation started.

⁷ OSI prepared a separate file folder for each of the 44 VRG students tested. This file contains reports of interview, student permanent folder information, copies of 2005-06 and 2006-07 VRG forms filed at SVSD, and a detailed report of investigative activity that includes a summary of information used by OSI to determine whether the student and guardian were compliance with Section 1302 of the Code.

- 3 students were residing with their parents in the district for the 2006-07 school year; and
 - 2 students were residing with parents who live outside the district for the 2006-07 school year.
- Of the seven students who were not required to have VRG forms on file for the 2006-07 school year, three had been in violation of Section 1302 during the previous (2005-06) school year.
 - OSI determined that 84% (31 of 37) of the students for whom VRG forms were on file at SVSD for the 2006-07 school year were in violation of Section 1302. This determination was based on statements made during interviews of parents and guardians that indicated the guardian was not supporting the student gratis and/or the student did not reside with the guardian throughout the entire year, as required by Section 1302.
 - OSI determined that 14% (5 of 37) of the students for whom VRG forms were on file at SVSD for the 2006-07 school year were in compliance with the requirements of Section 1302.
 - OSI was unable to determine whether the one remaining student for whom a VRG form was on file at SVSD for the 2006-07 school year was in compliance with Section 1302, because neither the parent nor the guardian would answer any questions on the issues of where the student resides after the school year and who supports the student throughout the entire year.

SVSD's Business Manager was interviewed on October 2, 2006 and, in response to questions, stated the following:

- SVSD is following the law as best it can but has only limited resources to do so.
- He would not support any measures that would cost SVSD a great deal of money or resources.
- SVSD accepts the VRG forms at "face value" and does not conduct any additional follow-up to ensure compliance with the Public School Code.

A SVSD High School Secretary, who is one of the staff members responsible for processing new students at Shenandoah Valley High School, was interviewed on October 11, 2006 and, in response to questions, stated the following:

- When a student is residing with a guardian and wants to be enrolled at SVSD, he/she is handed a VRG form that must be completed by the guardian and notarized.

- The guardian is told that he/she are solely responsible for all matters dealing with the student and that the parents will not be contacted.
- SVSD requires two additional documents (for example, a utility bill and a driver's license) that are used to verify that the guardian's address is within SVSD.

If SVSD had not accepted the VRG forms at "face value" and had taken reasonable steps to verify that the requirements of Section 1302 of the Code were met, SVSD would have significantly increased its operating revenues for the 2006-07 school year by collecting the applicable tuition. OSI initially determined that, if all 31 students attending SVSD schools tuition-free in violation of the Code would have been charged the appropriate tuition for the entire year, SVSD would have realized at least \$209,415 in additional revenue during the 2006-07 school year.⁸ However, SVSD's Business Manager stated in an interview on October 25, 2006, that, since 2001, the year he started employment, no student has ever been charged tuition to attend SVSD.

On January 25, 2007, a draft of this report was furnished to the SVSD for its review and response. A formal response was received from the President of the SVSD Board dated February 22, 2007, in which it was asserted that the District had undertaken its own internal investigation of all VRG students attending SVSD schools for the 2006-07 school year, and had scheduled meetings with all guardians who submitted VRG forms. It was further asserted (on page 2 of the letter, which is reproduced in its entirety at the end of this report): "At each meeting (where the guardian appeared) District officials reviewed options available to guardians for complying with applicable provisions of the Code."

The District further expressed its disagreement with the finding that at least 31 students were attending SVSD school in violation of Section 1302, and stated (on page 4 of the letter): "Pursuant to completion of its internal investigation, District reports current findings (**current as of 8 am Friday, 022307**), indicating *ALL* students currently enrolled in SVSD on VRG credentials are *IN-COMPLIANCE* with Section 1302 of the Code."

Because the District's response indicated that corrective measures had been instituted after OSI's investigative activity ended on October 31, 2006, it became necessary to re-open the investigation for the limited purpose of examining the VRG files for each of the 31 VRG Students that OSI originally identified as being in violation of Section 1302 to determine whether any additional documentation or other evidence was

⁸ The Business Manager stated that tuition rate calculations at SVSD for the 2005-06 school year were \$6,498.24 per year for elementary education and \$6,940.99 per year for secondary education. OSI also notes that these tuition rates were not yet adjusted for any increases made to SVSD's Basic Education Formula, calculated by PDE, for the 2006-07 school year, because the Business Manager did not have SVSD's updated numbers at the time this investigation was conducted. Furthermore, 1 of the 31 students received learning support at the elementary education level and 3 of the 31 students received learning support at the secondary education level, which would have resulted in the collection of even more tuition due to the additional costs associated with special education.

added to the files between October 31, 2006 and February 22, 2007, that would warrant a change in the determination that the students were in violation of Section 1302.

Accordingly, on June 5, 2007, OSI investigators reviewed the VRG files for the 31 VRG Students that had been determined to be in violation of Section 1302 as of October 31, 2006, to determine whether those files contained any additional documentation or other evidence that would warrant a change in that determination.

As is discussed more fully later in this report, OSI determined that at least 23 of the 31 VRG Students were still in violation of Section 1302. The corrective measures instituted by the District consisted mainly of requiring the purported guardians to produce additional documentation. However, for at least 23 of the VRG students, the additional documentation produced was found to be insufficient and at variance with more compelling evidence gathered by OSI investigators.

The following table illustrates OSI’s calculation that SVSD should have received an additional \$182,739 in tuition during the 2006-07 school year, based on 31 student violations during the first semester and 23 violations during the second semester:

Table 1
2006-07 School Year SVSD Tuition Amounts Uncollected

Grade Level	Semester	Number of Violations	Tuition	Uncollected Tuition
Elementary (K-6)	1 st	13 Students	@\$3,249	\$ 42,237
Secondary (7-12)	1 st	18 Students	@\$3,470	\$ 62,460
Subtotal	1st	31 Students		\$ 104,697
Elementary (K-6)	2 nd	8 Students	@\$3,249	\$ 25,992
Secondary (7-12)	2 nd	15 Students	@\$3,470	\$ 52,050
Subtotal	2nd	23 Students		\$ 78,042
TOTAL				\$ 182,739*

** Calculated at rates in effect in the 2005-06 school year, and does not reflect tuition increases for the 2006-07 school year (i.e., basic education formula) and special education adjustments such as learning support.*

SVSD also received additional state funds for these students in its yearly subsidy from PDE to which it was not entitled, because the students attending unlawfully should not have been included in PDE’s subsidy calculation.⁹ Furthermore, the school taxes

⁹ Nearby school districts may have been adversely affected as well, because the annual subsidy that a school district receives from PDE is based in large part on student population. OSI found that, of the 31 VRG Students unlawfully attending SVSD during the first semester, based on the residence of the parents, 18 should have been attending North Schuylkill Area School District, 8 should have been attending Hazleton Area School District, 3 should have been attending Mahanoy Area School District, and 1 each should have been attending Minersville Area School District and Saint Clair Area School District.

paid by SVSD residents were paying to educate students who did not actually reside within SVSD.

We note that any individual who knowingly provided false information on the notarized VRG form for the purpose of enrolling a non-eligible student in a SVSD school may be subject to not only the penalties set forth in Section 1302(c) of the Public School Code,¹⁰ but also the penalties for False Swearing and other pertinent provisions of the Crimes Code.¹¹

Conclusions and Recommendations:

For the first semester of the 2006-07 school year, at least 31 students of 37 tested by OSI attended SVSD under false VRG forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Public School Code of 1949, as amended. The purported guardians filed these forms in an attempt to deceive SVSD's administration into believing that the students were actually residing with the purported guardians throughout the entire school year and that the purported guardians were financially supporting the students, in order to avoid paying tuition to SVSD. In addition to losing uncollected tuition revenue, SVSD received more state funds from PDE than it was entitled to receive.

This occurred in part because SVSD was lax in its efforts to enforce the requirements set forth in the Public School Code, a regulation promulgated thereunder, and a Basic Education Circular issued by PDE, as well as SVSD's own policies and procedures. SVSD only required the submission of the VRG form, the absolute minimum documentation necessary. SVSD failed and neglected to obtain any of the additional corroborating information that was referenced in the BEC issued by PDE on December 7, 2001. Merely following the procedure set forth in the BEC would have helped the SVSD weed out the VRG applications that failed to meet the requirements of Section 1302 of the Code.

Furthermore, in response to the District's assertion that, as of February 23, 2007, its own internal investigation revealed that all VRG Students had been brought into compliance with the requirements of Section 1302 of the Code, OSI's review of the VRG files in June 2007 revealed that at least 23 of the original 31 VRG Students identified as being in violation of Section 1302 in October 2006 were still in violation throughout the second semester of the school year despite the additional documentation that was submitted on their behalf. As is discussed more fully later in this report, whatever corrective measures that SVSD instituted were still not effective in detecting and rejecting sham claims of residency with a guardian in the District, resulting in uncollected tuition for the 2006-07 school year of \$182,739.

¹⁰ This provision is set forth in its entirety at the beginning of this finding.

¹¹ Act of December 6, 1972, P.L. 1482, No. 334, as amended, 18 Pa.C.S. § 101 *et seq.* (The Crimes Code).

These findings are troubling, as Section 1302 was clearly intended to prevent the taxpayers who actually reside in, and therefore financially support, SVSD from effectively being forced to subsidize the educations of non-residents of the district who do not financially support the district but yet want their children to attend district schools nonetheless.

We recommend that SVSD management:

- Consult with SVSD’s solicitor regarding SVSD’s legal right and obligation to collect the tuition that is due and owing to it and to pursue the penalties set forth in Section 1302 of the Public School Code and pertinent provisions of the Crimes Code relative to those persons who provided false information on the VRG forms;
- Enhance SVSD’s policies and procedures by adopting additional methods that may be used to verify compliance with Section 1302, including:
 - A requirement that the student’s guardian provide additional supporting documentation to show that the student is residing with and being supported by the guardian. SVSD should reference the attachments section of this report to determine PDE’s guidelines and suggestions for the reasonable additional information necessary to substantiate information stated on the VRG forms, and
 - A requirement that the student’s guardian file, in addition to the VRG form, contain a more detailed questionnaire that would supplement information contained on the VRG form. SVSD should reference the attachments section of this report to determine PDE’s guidelines and suggestions for more detailed information;
- Add a new section to its Policy and Procedure Manual, titled *Enforcement of Residential Status and Due Process Rights*,¹² which would include the following statements:
 - SVSD has the responsibility and right to use legal means available to ensure the students enrolled within SVSD schools are legal residents meeting the standards of residency as defined by the Public School Code and the Pennsylvania Department of Education. SVSD and/or other entities will utilize standard investigation procedures and methods, including home visits, surveillance of students, and verification of information with third parties, social agencies, schools and governmental organizations and agencies, when deemed appropriate and necessary, as a means to substantiate actual residency status of students. SVSD

¹² Reference Springfield Township School District policies via website address: www.sdst.org/policies/202.php.

recognizes that access to public education is a basic property right and cannot be denied without due process;

- Work with PDE to determine and repay the amount of state subsidy that had been overpaid to SVSD for the 2006-07 school year and any other school years; and
- Take whatever additional steps it deems appropriate and necessary to ensure compliance with the requirements of the Public School Code.

Copies of this report will be forwarded to the Pennsylvania Department of Education and the District Attorney of Schuylkill County for their review and whatever further action they may deem appropriate.

ADDITIONAL COMMENTS

OSI also investigated two additional allegations regarding this subject, but found no evidence to support or confirm the allegations:

Allegation No 2: SVSD students' families or guardians filed false *Verification of Residence/Guardianship* forms so that the students could participate in SVSD sports programs.

The Transportation Coordinator/Superintendent's Secretary provided OSI with SVSD's Varsity, Junior Varsity, and Junior High School active fall sports rosters on October 5, 2006. The rosters provided were for the following district-sanctioned fall sports programs: varsity and junior varsity men's football, varsity women's volleyball, varsity women's basketball, and junior high school women's basketball.

A review of these rosters revealed that a total of eight different VRG Students were playing one of the aforementioned fall sports. However, only two of these eight students were in compliance with the requirements of Section 1302 of the Code. While the remaining six VRG Students were determined to be in violation of Section 1302, OSI found no evidence to support the allegation that any of them were attending SVSD for the principal purpose of participating in sports programs.

Allegation No. 3: One or more SVSD School Board Members assisted students' families or guardians in the filing of false *Verification of Residence/Guardianship* forms.

OSI found no evidence, throughout the course of investigative fieldwork, that any SVSD school board member assisted students' families or guardians in filing false VRG forms during the 2005-06 or 2006-07 school years. Additionally, OSI found no evidence that any school board member was listed as a guardian on a VRG form filed for a student attending SVSD during the 2005-06 or 2006-07 school years.

ATTACHMENTS REFERENCED IN REPORT

Attachment No. 1:

GUIDELINES FOR REASONABLE INFORMATION TO SUBSTANTIATE SWORN STATEMENT BY RESIDENT UNDER 24 P.S. § 13-1302

Pursuant to Act 35 of 2001, school districts may, upon adoption by way of a school board policy, request copies of one of the items in each category below, in substantiation of the assertions made in the sworn statement of the resident. If the school district has elected to require substantiating information and advised the resident thereof, then the resident must submit the required documentation along with the statement before the district is required to accept the child as a student. Reasonable information to substantiate the statement shall include the following:

SIGNER IS A RESIDENT OF THE DISTRICT

- Utility bill, or
- Pennsylvania Department of Transportation identification or drivers license, or
- Pennsylvania Department of Transportation vehicle registration, or
- Copy of State/Federal program enrollment, or
- Copy of paycheck stub with name and address of employee and employer, or
- Residency affidavit.

SIGNER IS SUPPORTING THE CHILD GRATIS

- Copy of completed IRS form transferring tax exemption of child to resident, or
- Copy of Federal or State tax form which lists child as a dependent of resident, or
- Copy of completed county form transferring child support payments to resident, or
- Copy of completed State form notifying Department of Welfare of child's new residence,
or
- Copy of insurance policy/card/statement listing child as eligible for services, or
- Copy of lease/rental agreement identifying the child as a tenant, or
- Residency affidavit.

SIGNER WILL ASSUME ALL PERSONAL OBLIGATIONS FOR THE CHILD RELATIVE TO SCHOOL REQUIREMENTS

Sworn statement by resident shall be satisfactory evidence thereof.

SIGNER INTENDS TO SO KEEP AND SUPPORT THE CHILD CONTINUOUSLY AND NOT MERELY THROUGH THE SCHOOL TERM

Sworn statement by resident shall be satisfactory evidence thereof.

Attachment No. 2:

SAMPLE
SWORN STATEMENT BY RESIDENT UNDER § 13-1302
(TO BE COMPLETED BY RESIDENT ONLY)

Instructions: Please complete the following statement. If the potential student is living, or will be living, in a household with two resident adults who will assume responsibility for the student, both residents must complete and sign this statement.

1. Your Name _____ Name of Spouse _____
Home Address _____
Home Telephone Number _____ Work Number _____
Is residency affidavit attached? Yes No

2. Child's Full Name _____
Birth Date _____ Grade _____
Name & Address of Last School Attended _____

Date child began/will begin to reside in your home?

3. Do you intend to keep and support the child continuously and not merely through the school term? Yes No

4. Will anyone contribute to the child's support? Yes No
If yes, explain. _____

5. Is there currently a support order for the child that has been entered by a court or other party? Yes No If yes, to whom are the payments made?

6. Who will claim this child as a dependent for state/federal income tax purposes?

7. Will you assume all personal obligations related to school requirements for this child that may include providing for required immunizations, uniforms, fees/fines, citations/fines for truancy, attending parent-teacher conferences, attending meetings/hearings concerning discipline, and fulfilling any special education requirements? Yes No

8. Will you assume the responsibility and obligation for making all education decisions?
Yes No

I grant the school district permission to investigate the information I have presented in this statement by discussing the presented information with all appropriate parties, as necessary to confirm the factual accuracy.

Signed by resident(s) and notarized _____

DISTRICT'S RESPONSE TO DRAFT REPORT¹³

Shenandoah Valley School District

805 West Centre Street
Shenandoah, PA 17976

PHONE: (570) 462-1936

FAX: (570) 462-4611

February 22, 2007

Mr. Jeffrey H. Gribb, Director
Office of Special Investigations
Commonwealth of Pennsylvania
Department of the Auditor General
327 Finance Building
Harrisburg, Pennsylvania 17120-0018

Dear Mr. Gribb:

The following is the written response of Shenandoah Valley School District (SVSD) to the *Special Investigation of SVSD* conducted by the Department of the Auditor General of Pennsylvania's (PAG) Office of Special Investigations (OSI). Specifically, these written comments pertain to the draft report of OSI that the families and purported guardians of several SVSD students had provided false information on *Verification of Residence/Guardianship* (VRG) forms filed with the District for the 2006-07 school year.

- A. **ALLEGATION #1: For the 2006-07 school year, at least 31 students attended Shenandoah Valley School District under the Verification of Residence / Guardianship forms while not actually residing with or being supported by the purported guardian as required by Section 1302 of the Public School Code of 1949.**

DISTRICT DISAGREES IN PART WITH THIS ALLEGATION BY OSI THAT DISTRICT WAS LAX IN ITS EFFORTS TO ENFORCE THE REQUIREMENTS SET FORTH IN THE PUBLIC SCHOOL CODE, A REGULATION PROMULGATED THEREUNDER, AND A BASIC EDUCATION CIRCULAR ISSUED BY PDE, AS WELL AS SVSD'S OWN POLICIES AND PROCEDURES.

Discussion: Shenandoah Valley School District (SVSD/District) has consistently complied with Section 24 P.S. §13-1302 (#1302) of the Pennsylvania School Code (Code) pertaining to non-resident students attending under appropriate SVSD Verification of Residence / Guardianship (VRG) forms. Indeed SVSD Policy #202.2 long required "...that appropriate legal documentation showing dependency or guardianship or a sworn statement of residential support be filed with the Board Secretary before an eligible nonresident student may be accepted as a student in the district schools. The Board may require a resident to submit additional reasonable information to substantiate a sworn statement, in accordance with guidelines issued

Confidential

Page 1 of 4

Created on 022107

¹³ Although the District's response references a third attachment, none was provided.

by the Department of Education..." for establishing residency. Consistent with this policy, the District annually required guardians file the form listed here as attachment #1.

Despite having withstood the scrutiny of *decades* of Pennsylvania Department of Education (PDE) investigative visits, it wasn't until the recent routine audit of SVSD for the years 2002-03 and 2003-04, that the Bureau of School Audits (BSA), Office of the Auditor General, Commonwealth of Pennsylvania (PAG) that SVSD's VRG became an issue. Interestingly, BSA's recommendation for a change in the VRG was precipitated by a local citizen who complained certain students were attending the District illegally via the VRG route rather than on any previous findings of Pennsylvania Department of Education (PDE).

In turn, the normally benign BSA inspection of SVSD for the years 2002-03 and 2003-04 appeared to now *focus* on VRG being a primary issue of the audit. This perception was realized early on when BSA requested a list of guardians currently on file with the District. In turn, District records submitted to BSA for the 2006-07 school year, indicated 40 VRG forms were on file.

After review, BSA issued a verbal preliminary recommendation that SVSD revise its then current policy to reflect changes to the RA form required by the 2003 amendment to the Code. Without hesitation, the District complied with this recommendation. This was accomplished in a note dated 082406 whereby SVSD notified guardians of the necessity to resubmit notarized RA forms prior to the upcoming school year. Attachment #2 is a copy of that revised form currently in use.

Concurrent with the routine BSA action, the PAG's Office of Special Investigations (OSI) conducted a separate inquiry into the allegation by a local resident asserting certain students were attending SVSD illegally via the VRG route. The preliminary findings of OSI were presented to SVSD administration at a courtesy conference held 110706. Though OSI declined to offer specific names, OSI concluded a "*significant number*" of students were attending SVSD during the 2006-07 school year on *questionable* VRG documents.

Consistent with its proactive posture of being in compliance with the Code, SVSD initiated an internal investigation of *all* VRG students attending the District for the 2006-07 school year. This investigation included the scheduling of meetings with all guardians submitting a VRG for the 2006-07 school year. At each meeting (where the guardian appeared) District officials reviewed options available to guardians for complying with applicable provisions of the Code.

Conclusions:

Currently, SVSD Policy No. 202 requires "...that appropriate legal documentation showing dependency or guardianship or a sworn statement of residential support be filed..." to comply with Section 1302 of the Code. As part of the District's recent internal investigation to determine *Compliance* or *Non-Compliance* for students currently enrolled at SVSD by means of VRG, each student file was examined for:

- In addition to submitting completed Residency Affidavit, require additional documentation attesting to financial support by guardian of student throughout the year and not only when school is in session.

Examples include, but not limited to as many of the following as possible: copy of IRS form transferring tax exemption of child to resident, copy of Federal or State tax form which list child as a dependent of resident, copy of completed county form transferring child support payments to resident, copy of completed state form notifying Department of Welfare of child's new residence, copy of insurance policy/card/statement listing child as eligible for services, copy of lease/rental agreement identifying the child as a tenant

- In addition to submitting completed Residency Affidavit, require additional documentation attesting to guardian's claim to be a SVSD resident
Examples include, but not limited to as many of the following as possible: occupancy permits, tax receipts, utility bills, Pennsylvania Department of Transportation (PennDOT) identification or driver's license, PennDOT vehicle registration, copy of paycheck stub with name and address or employee and employer
- Legal guardian will assume all personal obligations for the child listed on VRG through the school term
Heighten awareness that District contact involving student(s) attending SVSD must only be with guardian as listed on VRG
- Assigned specific clerical staff member responsibility for enrolling new Section 1302 students
Having one staff member assigned this responsibility is intended to result in District maintaining criteria consistent with the Code in determining eligibility for VRG students
- Respond to future allegations of illegal VRG student attendance only when specific allegations are attested to in writing
Currently this responding to such allegations would be the responsibility of the Truant Officer (TO). However, given the high priority of enrolling new Section 1302 students, this duty will be more fully analyzed before closure is recommended.
- District will consult with SVSD's solicitor as appropriate concerning matters cogent to students attending SVSD for the 2006-07 school year to include:
SVSD's legal right and obligation to collect the tuition that is due and owing to it for the first semester of the 2006-07 school year and to pursue the penalties set forth in Section 1302 of the Code and pertinent provisions of the Crimes Code relative to those persons who knowingly provided false information on the VRG forms
- In order to ensure continued compliance with Pennsylvania School Code administration will take whatever additional steps it deems appropriate and necessary to include recommending to SVSD Board of Education revising SVSD Policy and Procedural Manual (Section 202 {ELIGIBILITY OF NONRESIDENT STUDENTS}) to embody section 202.1, Enforcement of Residential Status and Due Process Rights and embracing the following verbiage along with requiring completion of revised (see attachment #3) VRG form for students attending SVSD:
"SVSD has the responsibility and right to use legal means available to ensure the students enrolled within SVSD schools are legal residents meeting the standards of residency as defined by the Public School Code and the Pennsylvania Department of Education. SVSD and/or other entities will utilize standard investigation procedures and methods including home visits, surveillance of students, and verification of information with third parties, social agencies, schools and governmental organizations and agencies, when deemed appropriate and necessary, to substantiate actual residency status of students. The District realizes that access to public education is a basic property right and cannot be denied without due process".
- In order to ensure continued compliance with Pennsylvania School Code District administration and solicitor will consult with appropriate Commonwealth of Pennsylvania governmental agencies in reconciling the subsidy issue:

That being established, SVSD takes exception to findings reported as they relate to the District losing \$209,000 in tuition for the 2006-07 school year. Specifically, BSA calculations erroneously presumes District has *not* been in compliance with the Pennsylvania School Code and / or SVSD approved policy when, indeed, established facts refute this presumption. Furthermore, the BSA summary of tuition figures allow for the misleading conclusion by some that SVSD would be due hundreds of thousands of dollars in tuition from guardians even though the investigation did not include the years in question. Or, equally fallacious is the notion that all VRG students attending SVSD for the 2006-07 school year equate with tuition income due the District if not attending via VRG.

- A recently completed internal District investigation reveals the number of students currently attending SVSD to be in variance with the 31 cited in the Findings.
When early in its current investigation BSA requested such information, District acknowledges reporting to BSA 40 students were attending SVSD on VRG status. Subsequent investigation set the number at 31 with a *substantial number* of those found (by OSI) to be attending SVSD illegally. Pursuant to completion of its internal investigation, District reports current findings (**current as of 8 am Friday, 022307**), indicating *ALL* students currently enrolled in SVSD on VRG credentials are *IN-COMPLIANCE* with Section 1302 of the Code.

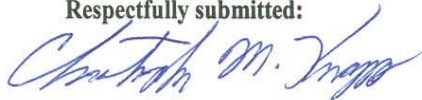
B. ALLEGATION #2: SVSD students' families or guardians filed false Verification of Residence/Guardianship forms so that students could participate in SVSD sports programs.

DISTRICT CONCURS WITH OSI FINDING!

C. ALLEGATION #3: One or more SVSD School Board Members assisted students' families or guardians in the filing of false Verification of Residence/Guardianship forms.

DISTRICT CONCURS WITH OSI FINDING!

Respectfully submitted:



CHRISTOPHER M. KNAPP
President

Pc: Attorney Michael A. O'Pake, Solicitor
Dr. Stanley G. Rakowsky, Superintendent
Mr. Anthony P. Demalis, Jr., Business Manager

Shenandoah Valley School District

Verification of Residence/Guardianship

Section 1302 Public School Code of 1949 A child shall be considered a resident of the school district in which his parents or the guardian of his person resides...When a resident of any school district keeps in his home a child of school age, not his own, supporting the child gratis as if it were his own, such child shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district, and shall be subject to all the requirements placed upon resident school children of the district.

Resident's Name: _____

Address _____

Telephone No. _____

Student's Name: _____

I, hereby, solemnly swear and affirm that I am a resident of the Shenandoah Valley School District, I am supporting the above named child/children gratis, I will assume all personal obligations for the child/children relative to school requirements, and I intend to so keep and support the child/children continuously and not merely through the school term.

Signature

Sworn and subscribed before me
this _____ day of _____ 19__

My commission expires _____

\\forms\guardian 9/91

Shenandoah Valley School District

ATTACHMENT #2

805 West Centre Street

Shenandoah, PA 17976

PHONE: (570) 462-1936

FAX: (570) 462-4611

Verification of Residence / Guardianship

Public School Code of 1949 - Article XIII - PUPILS AND ATTENDANCE

Sec. 1302 - Residence and right to free school privilege

A child shall be considered a resident of the school district in which his parents or the guardian of his person resides. ... When a resident of any school district keeps in his home a child of school age, not his own, supporting the child gratis as if it were his own, such child shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district, and shall be subject to all the requirements, and that he intends to so keep and support the child continuously and not merely through the school term.

Please Print

Student's Name: _____

Guardian's Name: _____

Address: _____

Phone Number: _____

Sec. 1302 (2003 amendment) - Residence and right to free school privilege

A person who knowingly provides false information in the sworn statement commits a summary offense and shall, upon conviction for such violation, be sentenced to pay a fine of no more than three hundred dollars (\$300) for the benefit of the school district in which the person resides or to perform up to two hundred forty (240) hours of community service, or both. In addition, it requires the person to pay all court costs and be liable to the school district for an amount equal to the cost of tuition calculated in accordance with Section 2561 of the Public School Code during the period of enrollment.

I, Hereby, Solemnly Swear and Affirm -

- I am a resident of the Shenandoah Valley School District
- I will assume all personal obligations for the child / children gratis
- I will assume all personal obligations for the child / children relative to school requirements
- I intend to so keep and support the child / children continuously and not merely through the school term
- Effective date: _____

ATTEST: _____

Signature

Sworn and subscribed before me this _____ day of _____, 2____.

My Commission Expires: _____

*Notarial
Seal*

Attest: _____
Notary Public

Acknowledged: _____
Superintendent

Shenandoah Valley
An Equal Opportunity School District

Created on 081406

DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS ON DISTRICT'S RESPONSE TO DRAFT REPORT

We appreciate the District's detailed response to the draft report and for its cooperation throughout the entire investigation. On the one hand, we commend the administration, the School Board, and the Solicitor for the corrective measures that they have adopted and intend to adopt in response to this investigation, which validate our findings. On the other hand, we find those measures to be insufficient to correct the problem.

In addition, a statement in the District's response made it necessary to re-open the investigation. Because the District contended that it had completed its own internal investigation after October 31, 2006, the date on which OSI's investigation ended, and that the District "reports current findings (current as of 8 am Friday, 022307), indicating *ALL* students currently enrolled in SVSD on VRG credentials are *IN-COMPLIANCE* with Section 1302 of the Code," it became necessary for OSI to re-examine the VRG Student files to reconcile any changes that may have occurred between October 31, 2006 and February 23, 2007.

Accordingly, the investigation was re-opened on June 5, 2007, for the limited purpose of noting any changes to the District's VRG Student files that may have occurred after October 31, 2006. The results of that review revealed that, for the second semester of the 2006-07 school year, 8 of the 31 VRG Students cited in the original finding were no longer in violation of Section 1302 for the following reasons:

- 4 of the students transferred out of the District;
- 2 of the students began to pay tuition to SVSD; and
- 2 of the students submitted sufficient additional proof to satisfy the requirements of Section 1302.

However, our analysis determined that the remaining 23 VRG Students originally cited in the report are still not in compliance with the requirements of Section 1302. While the files may contain additional items of documentation, the documentation is at variance with more compelling evidence that OSI obtained from other sources and by interviewing or observing the parents or the purported guardians of the VRG Students.¹⁴

¹⁴ The following are some examples of the additional documentation submitted by the parents and/or purported guardians to SVSD. In each case, an investigation to verify the information submitted would show that the parents continue to actually reside outside of the District:

- A utility bill showing that the parents of the VRG Student, who live outside the District, are paying for the utilities at the purported guardian's residence in the District (does not prove that the parents are living in the District and actually would tend to show that the parents

We also have the following disagreements with some of the specific assertions contained in the District's response:

- It is apparent that the District, in its response, is mistaken with regard to the VRG Student population that OSI tested during the investigation and the number of students found by OSI to be in violation of Section 1302. Nowhere in the report is it stated that the investigation “set the number [of VRG Students] at 31 with a *substantial number* of those found (by OSI) to be attending SVSD illegally” as is stated on page 4 of the District's response. As is clearly stated throughout this report, the total VRG Student population tested was 44, of which 37 were enrolled for the 2006-07 school year,¹⁵ and the total number of students found by OSI to be attending SVSD schools in violation of Section 1302 as of October 31, 2006, was 31 – i.e., actually 31 students, not a “substantial number” of that population.
- We question the District's characterization of its past efforts to enforce Section 1302 of the Public School Code. The District contends that it has always consistently and proactively complied with Section 1302 of the School Code. However, our investigation revealed the following:
 - The District continued to use inadequate and obsolete VRG forms until it was informed of that fact in August 2006 by the Bureau of School Audits. If the District had been truly proactive in its enforcement of the Public School Code, it would have updated its forms, and added the penalties for filing false information to the forms, back in 2003 when the amendment to Section 1302 became effective.
 - According to the Business Manager, SVSD accepted the VRG forms at “face value,” and did not conduct any follow-up to ensure compliance with the Public School Code. Furthermore, from at least 2001 to the date of interview, no student had ever been charged tuition to attend SVSD.
- Moreover, we question the finding of the District's internal investigation. The District contends that its internal investigation established that, as of February 23, 2007, “*ALL* students currently enrolled in SVSD on VRG credentials are *IN-COMPLIANCE* with Section 1302 of the Code.” This assertion is not only contrary to OSI's initial finding that, as of October 31, 2006, 31 of the 37 students attending SVSD on VRG credentials were not in compliance with

would be contributing to the support of the student if the student were actually residing with the purported guardian);

- A deed conveying the purported guardian's residence to the parents of the VRG Student (does not show that the parents are residing in the District); and
- Utility bills, drivers licenses, and a variety of other documents that show the parents' names(s) but show the purported guardian's address as a mailing address (do not prove that the parents actually reside at the mailing address).

¹⁵ In the experience of the Department's Bureau of School Audits, 37 is an inordinately high number of VRG Students for a school district the size of SVSD.

Section 1302 of the Code, but is also contrary to OSI's updated finding that, as of June 5, 2007, at least 23 of those 31 VRG Students were still not in compliance.¹⁶

- We also question the District's commitment to proactively enforce Section 1302, both now and in the future, for the following reasons:
 - It is evident from our most recent review of the District's VRG files that the District's internal investigation consisted of little more than asking the purported guardians to produce at least one additional piece of documentation, which the District accepted without question as satisfying the requirements of Section 1302.¹⁷
 - It is also evident that the District failed to conduct any additional investigation to verify whether the VRG students were in fact residing with the purported guardians throughout the entire year (not merely during the school year) and whether the purported guardians were in fact providing gratis all the necessary support to the students.¹⁸
 - It is further evident that the District, by stating that it will "[r]espond to future allegations of illegal VRG student attendance only when specific allegations are attested to in writing," is indicating that it will only investigate reactively in response to a written and attested complaint.
 - The District's response is indicative of a prevailing attitude among the Board and the administration to tolerate sham claims of residency rather than to proactively oppose them.¹⁹

¹⁶ The 31 VRG Students that OSI found to be attending SVSD schools illegally as of October 31, 2006 could only have been brought into compliance by February 23, 2007 in one of the following ways:

- by agreeing to pay tuition,
- by withdrawing from SVSD schools,
- by their parents actually moving into the District, or
- by changing their status to actually become a dependent of, and reside year round with, the purported guardian as is required by Section 1302.

¹⁷ The District has also resolved to require more proof that the guardians actually reside in the District. While this is commendable, we must point out that this was not where the compliance problem lay, nor was it the focus of our investigation. In fact, OSI's investigation confirmed that all of the purported guardians resided in the District.

¹⁸ While it is true that a school district must decide whether or not to enroll a student without delay, and therefore might be justified in initially relying on the information in the purported guardian's sworn statement, an investigation to verify the information should be conducted as soon as possible. If such investigation reveals that the student was not actually eligible to be enrolled, a district should immediately take corrective action. In addition to its own adjudicative procedures and the remedies set forth in Section 1302, a district may also avail itself of the complaint resolution process offered by the Department of Education's School Services Unit to resolve enrollment disputes between school districts and parents or guardians. See: *Basic Education Circular* "Enrollment of Students, 24 P.S. § 13-1301," issued July 1, 2002.

¹⁹ While "OSI found no evidence, throughout the course of investigative, that any SVSD board member assisted students' families or guardians in filing false VRG forms during the 2005-06 or 2006-07

Therefore, we can only conclude that the District's response demonstrates not so much a misunderstanding of the requirements of Section 1302 as a refusal to enforce them.

To reiterate the principal findings of our investigation, as of October 31, 2006, 31 students were enrolled in the District's schools in violation of Section 1302 of the Public School Code, and as of June 5, 2007, only 8 of those 31 students had been brought into compliance. The evidence supporting this determination was obtained through interviews of the students' purported guardians or parents who admitted that (1) the purported guardians were not really supporting the students financially, or (2) the students were not really residing with the purported guardians year round, or both. Furthermore, in almost every case, the motivation was to fulfill the wishes of the parents of the students to have their children attend SVSD schools rather than the schools of the districts in which the parents and students actually reside.

The District states that its own internal investigation consisted of a review of each VRG Student's file for supporting documentation and scheduling meetings with all guardians who submitted a VRG form for the 2006-07 school year. The District's response further states: "At each meeting (where the guardian appeared) District officials reviewed options available to guardians for complying with applicable provisions of the Code." However, the District's response gives no indication that it conducted any investigations to verify the information submitted on or with the VRG form, i.e., to determine whether a particular VRG student in fact satisfies the requirements of Section 1302. If the District had conducted such investigations, it would have discovered, as our investigation discovered, that as many as 31 students were attending SVSD schools tuition-free who were not eligible to do so.²⁰

The draft report furnished to the District did not include the names of the non-compliant VRG Students or the actual evidence of non-residency because such sensitive information is not appropriate for inclusion in a public report. We are careful to share such investigative information only with other investigative or law enforcement agencies and only for official purposes. We recognize that the District is required to perform an investigative function in this and other contexts, and we trust that it has procedures in place for conducting such investigations. We further recognize that the District needs this information to implement the recommendations in this report.

school years," (Comment on Allegation No. 3), our investigation did determine that the atmosphere of tolerance and lax enforcement of Section 1302 violations is pervasive in the District.

²⁰ The District also takes exception to the determination in the draft report that, if all 31 students attending SVSD schools tuition-free in violation of the Code would have been charged the appropriate tuition for the entire school year, SVSD would have realized at least \$209,415 in additional revenue during the 2006-07 school year. Presumably, the District would also take exception to our revised calculation, based on 23 of such students attending during the second semester, of uncollected tuition of \$182,739. Granted, the calculation assumes that the parents of all such students would be willing to pay tuition to SVSD rather than enrolling the students for free in the school districts in which they actually reside, and it is possible that many of those parents may just have been taking advantage of the District's lax enforcement of residency requirements and would not be willing to pay tuition to SVSD. Even so, the calculation is useful in demonstrating the value of the educational services being provided, at SVSD taxpayers' expense, to these non-resident students free of charge.

Accordingly, concurrently with the public issuance of this report, we will be forwarding all of the evidence gathered in the investigation to the District, in care of its Solicitor, so that the District, in performing its investigative function, can reevaluate the results of its own internal investigation in light of said evidence and take appropriate action. We will also be forwarding a copy of this report and copies of the evidence gathered in the investigation to the District Attorney of Schuylkill County and to the Pennsylvania Department of Education for whatever further action said agencies may deem appropriate. We trust that all recipients of the evidence will handle it in a manner befitting its sensitive nature.

Finally, the Department of the Auditor General will follow up at the appropriate time to determine the status of the District's implementation of each of our recommendations.

DISTRIBUTION LIST

This report was distributed initially to the Shenandoah Valley School District's school board, superintendent, business manager, and solicitor, and to the following:

The Honorable Edward G. Rendell Governor	The Honorable Gerald L. Zahorchak, D.Ed. Secretary of Education
The Honorable Robin L. Wiessmann State Treasurer	The Honorable Thomas W. Corbett, Jr. Attorney General
The Honorable Michael J. Masch Secretary of the Budget	Harvey C. Eckert Commonwealth Comptroller
The Honorable James J. Rhoades Chair Senate Education Committee	The Honorable Raphael J. Musto Democratic Chair Senate Education Committee
The Honorable James R. Roebuck, Jr. Chair House Education Committee	The Honorable Jess M. Stairs Republican Chair House Education Committee
The Honorable James P. Goodman District Attorney of Schuylkill County	Frank W. Victor, Superintendent Hazleton Area School District
Anthony J. Crimaldi, Superintendent Mahanoy Area School District	Dr. Gerald T. Nesvold, Interim Superintendent North Schuylkill Area School District
Joseph Brady, Superintendent Minersville Area School District	Kendy Clahr Hinkel, Superintendent Saint Clair Area School District

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