

GARNET VALLEY SCHOOL DISTRICT  
DELAWARE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MAY 2011



The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. William D. Wilkinson, Board President  
Garnet Valley School District  
80 Station Road  
Glen Mills, Pennsylvania 19342

Dear Governor Corbett and Mr. Wilkinson:

We conducted a performance audit of the Garnet Valley School District (GVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period April 23, 2008 through November 18, 2010, 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 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the GVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Sincerely,

/s/

JACK WAGNER  
Auditor General

May 26, 2011

cc: **GARNET VALLEY SCHOOL DISTRICT** Board Members



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Garnet Valley School District (GVSD). Our audit sought to answer certain questions regarding the 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 GVSD in response to our prior audit recommendations.

Our audit scope covered the period April 23, 2008 through November 18, 2010, 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 and 2006-07.

### **District Background**

The GVSD encompasses approximately 21 square miles. According to 2000 federal census data, it serves a resident population of 18,835. According to District officials, in school year 2007-08 the GVSD provided basic educational services to 4,711 pupils through the employment of 390 teachers, 382 full-time and part-time support personnel, and 22 administrators. Lastly, the GVSD received more than \$9.4 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the GVSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. For the audited period, we report no findings or observations.

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the GVSD, we found the GVSD had taken appropriate corrective action in implementing our recommendations pertaining to the pupil membership classification errors (see page 7).





## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period April 23, 2008 through November 18, 2010.

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

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 Department of Education (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

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the GVSD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ 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 use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

GVSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement and pupil transportation.

Our audit examined the following:

- Records pertaining to bus driver qualifications and financial stability.
- Items such as Board meeting minutes, pupil membership records and reimbursement applications.

Additionally, we interviewed selected administrators and support personnel associated with GVSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on March 12, 2009, we reviewed the GVSD's response to DE dated June 23, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Garnet Valley School District resulted in no findings or observations.

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

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Our prior audit of the Garnet Valley School District (GVSD) for the school years 2005-06, 2004-05, 2003-04 and 2002-03 resulted in one reported finding. The finding pertained to pupil membership classification errors. 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 GVSD Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior finding. As shown below, we found that the GVSD did implement recommendations related to the pupil classification errors finding.

### **School Years 2005-06, 2004-05, 2003-04 and 2002-03 Auditor General Performance Audit Report**

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**Finding:** **Pupil Membership Classification Errors Resulting in Overpayments of \$38,471 in Tuition for Children Placed in Private Homes**

Finding Summary: Our prior audit of pupil membership reports submitted to DE for the 2005-06, 2004-05, 2003-04 and 2002-03 school years found errors in nonresident student membership classifications for the 2005-06 and 2003-04 school years. The errors resulted in overpayments of tuition from the Commonwealth to the District for children placed in private homes of \$32,531 and \$5,940, respectively.

Recommendations: Our audit finding recommended that the GVSD:

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

We also recommended that DE:

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

Current Status: Our current audit found that the District took immediate action in implementing our recommendations.

Based on additional information subsequent to our audit, DE reduced the 2005-06 overpayment to \$25,230, which was recovered from the June 1, 2009 payment of basic education funding.

Based on correspondence from DE, the 2003-04 overpayment will be recovered in June 2011.

## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Tom Corbett  
Governor  
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Harrisburg, PA 17120

The Honorable Ronald J. Tomalis  
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