

GREAT VALLEY SCHOOL DISTRICT  
CHESTER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JULY 2009



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

Ms. Elizabeth McGarrigle, Board President  
Great Valley School District  
47 Church Road  
Malvern, Pennsylvania 19355

Dear Governor Rendell and Ms. McGarrigle:

We conducted a performance audit of the Great Valley School District (GVSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period May 11, 2006 through February 12, 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, 2006, and June 30, 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 GVSD 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 GVSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve GVSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the GVSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

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**JACK WAGNER**  
Auditor General

July 23, 2009

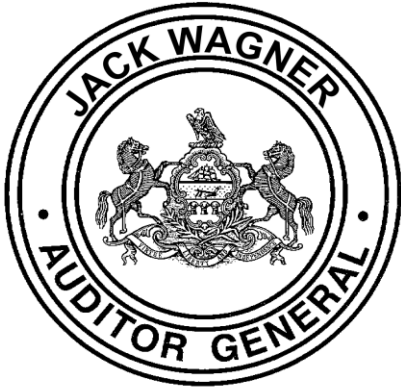
cc: **GREAT VALLEY SCHOOL DISTRICT** Board Members

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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 Great 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 May 11, 2006 through February 12, 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 2005-06 and 2004-05 as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

### **District Background**

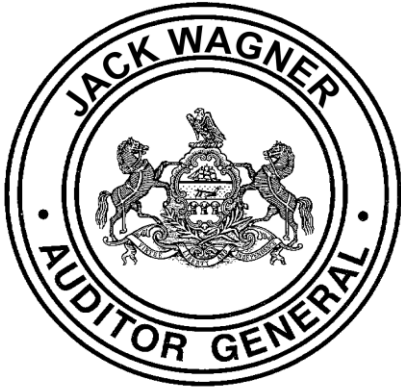
The GVSD encompasses approximately 43 square miles. According to 2000 federal census data, it serves a resident population of 26,454. According to District officials, in school year 2005-06 the GVSD provided basic educational services to 3,982 pupils through the employment of 339 teachers, 267 full-time and part-time support personnel, and 27 administrators. Lastly, the GVSD received more than \$6.7 million in state funding in school year 2005-06.

### **Audit Conclusion and Results**

Our audit found that GVSD 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: Memoranda of Understanding Not Updated Timely.** Our audit of GVSD's records found that the current Memoranda of Understanding between the GVSD, Pennsylvania State Police, East Whiteland Township, Malvern Borough and Willistown police departments were last signed in 1998 and 1999 and have not been updated since (see page 6).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the GVSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the GVSD did not have any prior findings or observations (see page 8)





## 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 May 11, 2006 through February 12, 2009, except for the verification of professional employee certification which was performed for the period March 21, 2006 to February 5, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2005-06 and 2004-05 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Department of Education (DE), is not available for audit until 16 months, or more, after the close of a school year.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with DE reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

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

- ✓ Were professional employees certified for the positions they held?

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

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

- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Did the District follow applicable laws and procedures in areas dealing with pupil membership and ensure that adequate provisions were taken to protect the data?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

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

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

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

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

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

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

Our audit examined the following:

- Records pertaining to bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Deposited state funds.

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

## Findings and Observations

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### Observation

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### Memoranda of Understanding Not Updated Timely

*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 Education Circular (BEC) issued by DE entitled Safe Schools and Possession 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 audit of Great Valley School District's records found that the District's current Memoranda of Understanding (MOU) with the East Whiteland Township and Willistown Township police departments were signed in 1998, and the MOUs with the Pennsylvania State Police and the Malvern Borough Police Department were signed in 1999. None of these MOUs have been reviewed or updated since.

The failure to update MOUs with all local law enforcement agencies 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 *Great Valley School District* should:

1. In consultation with the District's solicitor, review, update and re-execute the current MOUs between the District and the local law enforcement agencies and the Pennsylvania State Police.
2. Adopt a policy requiring the administration to review and re-execute the MOUs every two years.

**Management Response**

Management provided the following response:

The Great Valley School District agrees that our current Memorandum of Understandings with local and state police are not less than two years old. However, we disagree with the fact that the Basic Education Circular issued by the Department of Education is clear as to the requirement for a new agreement every two years. Actually, the Internal Control we were “observed” for is not contained in the BEC, it is buried in a “sample” MOU at the end of the BEC.

The Great Valley School District has a strong and good relationship with all police departments located within our district and the lack of a less than two year old MOU in no way represents a lack of attention to our obligations in this area.

The District has requested new MOUs with each of the police departments. To date, two of them have been returned and are attached for you information.

**Auditor Conclusion**

We recognize that the Public School Code does not require re-executing MOUs every two years, and for that reason present this as an observation rather than a finding. We believe the two-year period suggested by the sample MOU included in the Department of Education’s basic education circular is prudent; therefore our observation will stand as presented.

As of completion of our fieldwork, the District had obtained three of the four new MOUs it requested.

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

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**O**ur prior audit of the Great Valley School District for the school years 2003-04 and 2002-03 resulted in no findings or observations.

## **Distribution List**

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

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

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

Senator Andrew Dinniman  
Democratic Chair  
Senate Education Committee  
183 Main Capitol Building  
Harrisburg, PA 17120

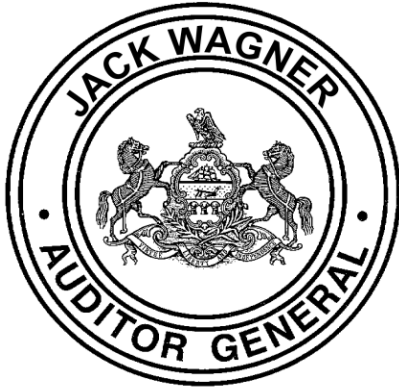
Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

Representative Paul Clymer  
Republican Chair  
House Education Committee  
216 Ryan Office Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Acting Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4<sup>th</sup> Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055





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