

SUMMARY REPORT

FARRELL AREA SCHOOL DISTRICT

March 2002

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Background	1
<u>Finding</u> - The school district failed to comply with the Public School Code by allowing a school planetarium and other school district facilities to be used for the benefit of a private business activity. The school district has also failed to document adequately reimbursement payments it has received for the private use of its facilities.....	2
Conclusions and Recommendations	8
The School District's Responses and the Department of the Auditor General's Comments	9
Report Distribution List	14

INTRODUCTION AND BACKGROUND

The Department of the Auditor General (the Department) conducts regular audits of Farrell Area School District (FASD), Farrell, PA, pursuant to its authority and responsibilities under the Fiscal Code. 72 P.S. § 403. During the course of a regular audit of FASD in the spring of 2001, the Department's Office of Special Investigations (OSI) received information that raised questions concerning FASD's financial management and oversight of the FASD planetarium and activities of the planetarium's director.

OSI conducted an investigation which included interviews of FASD officials and employees and reviews of FASD records. A summary of the draft finding, conclusions and recommendations was provided to FASD for comments and response on December 27, 2001.

Responses were received from the FASD solicitor on behalf of the school board and from the superintendent in February 2002. They have been incorporated into relevant paragraphs of the report. They are also presented in summary form in a separate section, together with the Department's comments. The planetarium director also submitted a response which is incorporated and referenced in conjunction with the solicitor's and superintendent's responses.

FINDING - The school district failed to comply with the Public School Code by allowing a school planetarium and other school district facilities to be used for the benefit of a private business activity. The school district has also failed to document adequately reimbursement payments it has received for the private use of its facilities.

A planetarium has been housed in the FASD high school for approximately 30 years. The planetarium is managed by the “District-Wide Planetarium Director,” an FASD employee. His name is included on a list of FASD high school teachers but he does not teach any classes. He is certified by the Pennsylvania Department of Education (PDE). The planetarium director is considered part of the teachers’ bargaining unit. His annual salary is roughly 60 percent of that to which he would be entitled as determined in accordance with the contract between FASD and the teachers’ association, taking into account the planetarium director’s experience and education. The 60 percent figure is derived from the number of days in the school year during which the planetarium director is considered to be actually working at FASD.

According to FASD officials and the planetarium director, the planetarium director was responsible for the establishment of the planetarium at FASD and has made substantial financial contributions to the school district since that time, for the planetarium as well as other programs.

In a May 29, 2001, memorandum to the FASD superintendent, the planetarium director stated that he intended to retire, “effective around the second semester of the 2001-02 school year.” He also stated that he wanted to continue “planetarium offerings” to students and teachers on a 45-60 day basis per school year and that he would not eliminate making annual monetary contributions to the school district.

According to a document entitled “Course of Study for the Planetarium” given to OSI, the purposes of the planetarium are to serve as a “laboratory for analyzing the techniques of critical scientific thinking” through demonstrations of “the theories of astronomy and space science.” The planetarium is to be used as “an audio-visual aid in conjunction with classroom work and imaginative follow-up activities to provide an excellent educational experience for students.”

FASD has no specific planetarium courses. The investigation found no record that planetarium activities are included as part of any courses at FASD. The planetarium director provided OSI with a schedule showing that, at various times during the school year, some FASD grade school classes each spent a period of about 50 minutes in length at the planetarium. We did not obtain any other documentation to show the extent of use of the planetarium for FASD’s student educational activities.¹

¹ The planetarium director’s letter in response to the draft report stated that the planetarium is used as a resource center and to hold workshops for teachers and students. However, we found no evidence of this among FASD’s curriculum records.

The planetarium director has outside employment as special projects coordinator for Royal Olympic Cruises (ROC), a New York-based private firm engaged in the business of operating cruise vessels. During the investigation, the following information concerning ROC-related business activities at FASD was obtained:

1. Storage of ROC materials

In March 2001, boxes were observed stacked in the FASD high school in the vicinity of the planetarium. The boxes were labeled "Olympic Explorer" and had the name of the planetarium director on them. Based on the boxes' numbers, there were about 100 boxes. Photographs of the boxes appear on pp. 4-5 of this report.

According to the FASD business manager, the planetarium director stored boxes in the planetarium and two other rooms in the building where the planetarium is located. On or about March 21, 2001, the boxes shown in the above-mentioned photographs were removed from the locations where they had been observed.

The FASD business manager told an OSI investigator that he knew that the planetarium director worked for ROC; that some ROC materials were delivered to FASD and then shipped out; that the materials were at FASD no more than a week; that they were not delivered to FASD on a regular basis; and that the planetarium director and his brother (who is also employed at FASD as technical education director) handled the boxes.

The FASD fiscal manager told OSI that she had no knowledge that ROC documents were stored at FASD and that the planetarium director did not reimburse the school district for rental of storage space. The FASD superintendent told OSI that he was unaware that ROC materials were stored at FASD.

The planetarium director told OSI that he regularly stored ROC printed materials at FASD; that the materials were transferred to storage when they became outdated; and that he used ROC materials in connection with his presentations at the planetarium.

2. Information concerning ROC and the planetarium director's family's business activities on links to FASD's internet web page.

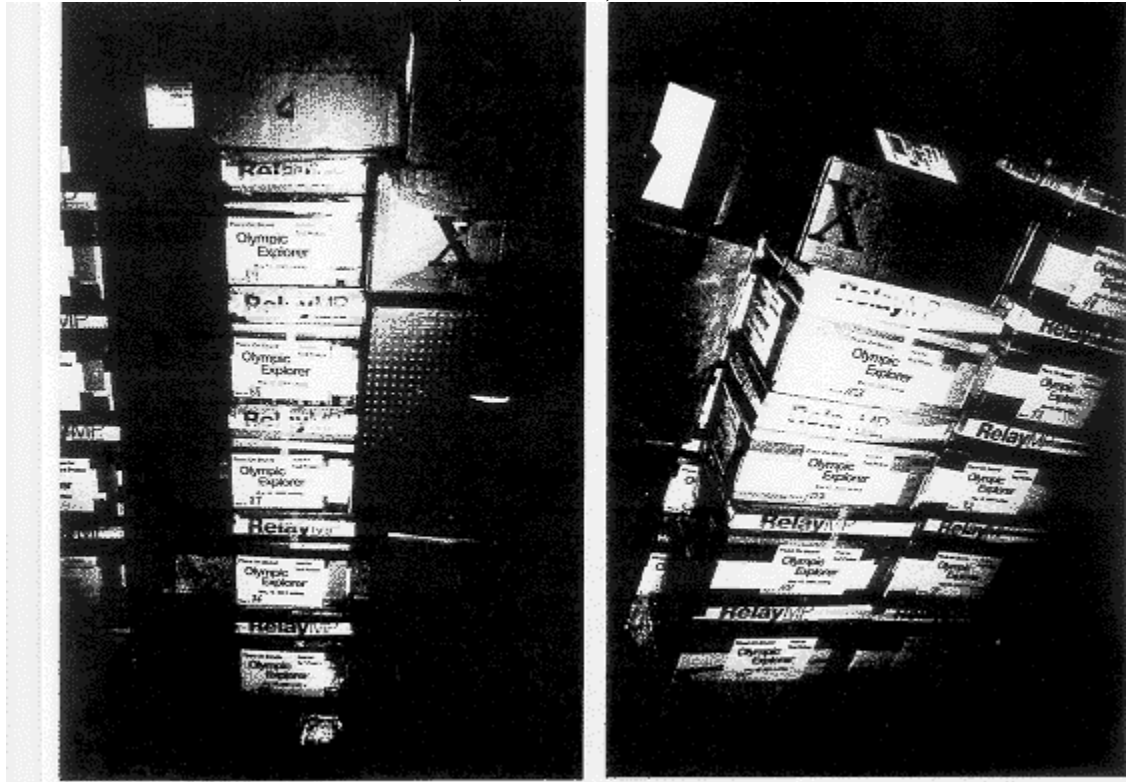
OSI reviewed FASD's internet web page in August and September 2001. There was an internet link on FASD's main web page to an "Adventure Travel" link which contained cruise information. This link, in turn, had a link to one entitled "African Solar Eclipse Cruise," which provided information concerning ROC. The facsimile contact number for ROC shown on the link was (724) 346-6533, which is FASD's fax number. The same links on FASD's main web page led to a web page for members of the planetarium director's family and their business activities.

Between August 29 and September 26, 2001, the FASD fax number was removed from the internet web site link that contained the information related to ROC.

Photographs of Olympic Explorer Boxes at FASD



**Photographs of Olympic Explorer Boxes at FASD
(Continued)**



The FASD technical education director (the planetarium director's brother) told OSI that he maintains the FASD web page and has never discussed the web page's contents with FASD officials or the school board.

3. Use of FASD equipment, i.e., telephones, facsimile message equipment and copier for the planetarium director's business activities and use of FASD facilities to order non-FASD business supplies.

FASD staff informed OSI that the planetarium director used FASD telephones, facsimile machines and copiers to transmit or copy information related to his ROC activities. The planetarium director stated to OSI that he made limited use of FASD's telephones to make long distance business calls and used the facsimile machine for ROC business.

According to FASD staff members, records are not kept of use of school district telephones, facsimile machines and copiers by the planetarium director for non-school district related purposes. Thus, there is no way to determine the amount or cost of such use.

In interviews, FASD staff stated that the planetarium director made payments to the school district for purchase of paper supplies and telephone and facsimile machine usage. Records were provided which showed reimbursement payments by the planetarium director to FASD of \$210 in 1999 and \$705 in 2000. In June 2001, FASD sent OSI a copy of a check from the planetarium director for \$2,700. According to a memorandum from the planetarium director to FASD, the purpose of the check was to reimburse FASD for telephone/fax and printing charges for the period August 24, 2000, through June 6, 2001. Since there was no record of FASD equipment usage or paper purchases for the planetarium director's business activities, it could not be determined if the amount of reimbursement was equal to the costs of the purchases and the telephone and facsimile machine charges or how the amount of reimbursement was determined.

FASD also provided OSI with records showing payments by the planetarium director to FASD in 1999 and 2000 totaling \$14,000. On the checks, the payments were described as being for "planetarium upgrades" and "planetarium equip." There was also a payment of \$32,230 in October 2000. According to FASD staff members and a memorandum from the planetarium director to the superintendent and the school board, the \$14,000 was for the operation of the planetarium and the \$32,230 payment was a gift to the school district for awards, grants and other programs.

4. The FASD superintendent provided services and received things of value in connection with a cruise organized by the planetarium director as part of his business activities.

In March 2000, the FASD superintendent participated in an ROC cruise organized by the planetarium director. According to the itinerary, the dates were March 13-24,

2000; the cruise was described as an opportunity to explore the “land of the Maya with a distinguished team of experts.” The places visited included Jamaica, Honduras, Guatemala, Belize, Mexico and Key West. The superintendent was listed as an “enrichment lecturer.”

According to the superintendent, costs of the cruise for himself and two members of his family who accompanied him were paid for in return for lectures the superintendent presented while on the cruise. According to the planetarium director, he has asked the superintendent to serve as an educational consultant three times; the superintendent went on one cruise; he led small group discussions and served as a group leader; ROC paid all expenses for the superintendent and his wife; and the “friend and family” rate for the ROC cruise was \$50 per day, not including airfare.

The FASD superintendent is a public employee within the meaning of the Public Official and Employee Ethics Act (the Ethics Act), 65 Pa. C.S. § 101, et seq., and is required to file an annual Statement of Financial Interests (SFI) pursuant to the Ethics Act. The ROC cruise activity was not reported on the superintendent’s SFI for 2000. (It should be noted that the SFI threshold level for reporting outside sources of income for that year was \$1,300). We are not aware of any record or documentation that the superintendent’s relationship with the planetarium director’s outside business activities was disclosed to FASD or documented in the school district’s records.

CONCLUSIONS AND RECOMMENDATIONS

FASD has broad discretion to make use of a wide range of activities to carry out its responsibilities to its students, including the use of a planetarium. There is also documentation to support the claim that the planetarium director has made numerous financial contributions to FASD. However, the investigation disclosed that the school district has allowed the use of school district facilities and resources for private business activities contrary to the Public School Code. According to the Code, the school board may permit the use of school grounds and buildings for “social, recreation, and other proper purposes, as the board may adopt.” 24 P.S. § 7-775. The words of the statute appear to limit such uses to social, recreational, charitable and educational purposes and to exclude private for-profit business/commercial activities such as cruise line operations.

Furthermore, FASD does not maintain adequate records or procedures to document or verify that it receives adequate reimbursement for the value or benefit obtained by the planetarium director’s business activities from the use of FASD facilities and equipment.

The superintendent’s relationship with the planetarium director’s outside business and the lack of records or other evidence to show the use of the planetarium as part of FASD’s educational program also support the conclusion that there are deficiencies in FASD’s overall management of the planetarium and the planetarium’s activities.

It is recommended that FASD:

1. Conduct an audit of the use of its facilities and equipment for the planetarium director’s business activities to determine whether the school district has been adequately reimbursed for such use.
2. Cease all use of school district buildings and facilities for purposes not consistent with Section 7-775 of the Public School Code and ensure that all uses for non-school district purposes are properly permitted and authorized by the school board.
3. Ensure that all FASD officials subject to the State Ethics Act’s filing requirements disclose information concerning outside financial interests as required by the Ethics Act and also that they provide appropriate disclosure to the school board.
4. Clarify and document the role of the planetarium and its activities in FASD’s educational program and curriculum.

THE SCHOOL DISTRICT'S RESPONSES

Responses were received from the FASD solicitor and the superintendent. They are summarized below with direct quotes where indicated.

General Statements

The FASD solicitor's response stated that the planetarium director's schedule and responsibilities have been "essentially unchanged since the establishment of a planetarium program more than 30 years ago." The duties and compensation are "for the development of the planetarium program, the effective operation of the equipment and physical plant, as well as the conduct of instructional programs . . . not . . . for the teaching of classes in a traditional sense." According to the superintendent, the planetarium director's employment was begun by agreement between the planetarium director and the FASD Board of Education over 30 years ago; the planetarium director has paid for programming and upgrades at the facility and FASD "has not expended public dollars to subsidize the continued operation of the planetarium or any upgrades." The planetarium director's response stated that he disagreed with the report's statement that there was no record that planetarium activities were included in FASD courses:

"While FASD has no specific planetarium courses, the facility is an integral part of learning at all grade levels [A]ll students in grades 1 through 8 make formal visits to the planetarium every year. Teachers and I also schedule follow-up sessions as required. [T]eachers and students . . . use the planetarium as a resource center, and regular workshops are held for both audiences on various subjects. Planetarium programs are also made available to the general public."

All three responses contained references to the planetarium director's contributions to FASD. The superintendent described a total of \$25,000 in contributions to the FASD Foundation in 1999 and annual contributions of \$31,980 in 2001 and \$32,230 in 2000.² The planetarium director's response stated that he has donated over \$300,000 to FASD for various programs and awards and "contributed more than \$50,000 in surplus supplies from . . . educational travel programs."

Department of the Auditor General's Comments

The report acknowledged FASD's broad discretion concerning use of a planetarium in its educational programs and the planetarium director's financial contributions to FASD. However, we found no records that planetarium activities were an "integral part" of a program at any level. The only information about planetarium activities consisted of schedules of class visits to the planetarium provided to us by the planetarium director. The lack of documentation within the school district concerning the role of the planetarium in the curriculum was the basis for our Recommendation No. 4.

² This payment is discussed on p. 6 of the report.

The Finding

In regard to the specific areas of concern noted in the Finding, the responses stated:

a. Storage of materials

According to the solicitor, ROC business materials stored at FASD were for use as educational material in planetarium programs and the school district will attempt to clarify the storage of boxes of materials for any other purposes with the business manager who is on extended leave. The superintendent's response stated that, if business-related material was stored at FASD, he would direct that the practice cease immediately. The planetarium director's response stated that "cartons of materials in the hallway outside the planetarium were transferred to Farrell to be used by students and staff. The contents include maps, destination guides, and reprints of magazine article; as well as paper, envelopes, and other office supplies." The planetarium director referred to all of the items as "surplus."

Department of the Auditor General's Comments

The steps proposed to be taken by the school district, as described in the superintendent's response to the report's recommendation (see p. 12), should be more than adequate to correct the problem. The practice described in the planetarium director's response was apparently carried on without knowledge of FASD's administration and appears of questionable value to the school district. As noted in the report, the boxes were removed shortly after they were observed by the Department's auditors in March 2001. This supports the conclusion that they were not stored there for purposes related to FASD activities.

b. The link to FASD's web site

The solicitor's and the superintendent's responses both stated that FASD officials and the school board had never approved and were not aware of the web site link to ROC. The planetarium director's response stated that he funded and developed the FASD web site page on his family's web site and that maintenance of the FASD web page has been turned over to school district personnel.

Department of the Auditor General's Comments

The school district should take appropriate steps to ensure that it manages and controls the content of its web site.

c. Use of equipment and facilities

The solicitor stated that FASD was unaware of any “regular, systematic, or improper use” of its equipment or facilities, the planetarium director had reimbursed FASD and the planetarium director had “effectively underwritten the cost of maintaining and operating the planetarium.” The superintendent’s response reiterated that there was no evidence of improper use and stated that FASD would begin requiring pre-approval for personal use of equipment and facilities and require detailed records of such use for reimbursement purposes.

The planetarium director’s response stated that his reimbursements “far exceeded” his usage.

Department of the Auditor General’s Comments

The corrective actions listed in the superintendent’s response to this report’s recommendations, if implemented by FASD, address the Finding. Their implementation should also enable the school district, as well as auditors, to determine and verify that appropriate controls are in place and that reimbursement payments are equal to the costs to the school district.

d. The superintendent’s participation in a cruise organized by the planetarium director

The solicitor stated that “FASD denies any knowledge that . . . [the superintendent] engaged in any activity which compromised his position as superintendent or that of the District in any way.” The response also stated that the planetarium director “received no consideration for this activity”

The superintendent’s response stated that he participated in an ROC cruise as a member of a lecture team and, as consideration for the participation, costs were paid for his wife, his son and himself and that he reimbursed ROC for his son’s airfare. The superintendent stated that he did not “engage in conduct that constitutes a conflict of interest” and has filed an updated Ethics Act SFI for 2000.

The planetarium director’s response stated that he took “very strong exception” to the suggestion that it was inappropriate for the superintendent to participate as a lecturer on one of the voyages.

Department of the Auditor General’s Comments

The fact that the superintendent performed services for ROC for which he received financial benefits is subject to the disclosure requirements of the State Ethics Act. Given the planetarium director’s substantial presence and role at FASD, and the fact that the superintendent is responsible for the overall management and supervision of FASD’s educational and financial activities, including operation of the planetarium and

the work of the planetarium director, the appropriateness of the transaction without prior disclosure is highly questionable.

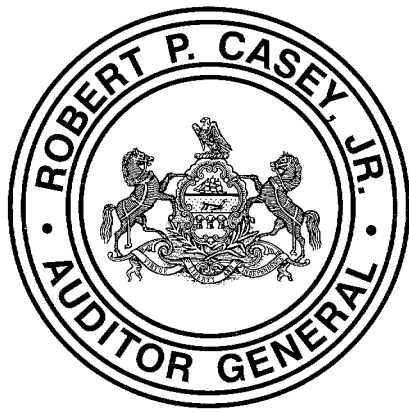
The Recommendations

In regard to the Department's recommendations, the superintendent's response stated that he would:

1. Recommend to the school board that an audit be conducted in accordance with Recommendation No. 1.
2. Recommend to the school board that it review all uses of the school district buildings and facilities for purposes not consistent with Section 7-775 of the Public School Code to ensure that all uses for non-school district purposes are properly permitted and authorized by the school board.
3. Ensure that all FASD officials subject to the State Ethics Act's filing requirements disclose information concerning outside financial interests as required by the Ethics Act and also that they provide appropriate disclosure to the school board.
4. Recommend that FASD clarify and document the role of the planetarium and its activities in FASD's educational program and curriculum.

Department of the Auditor General's Comments

If adopted by the school board and fully implemented, the superintendent's proposals will address the Finding and the Recommendations of the report.



REPORT DISTRIBUTION LIST

Copies of this report have been initially distributed to the Farrell Area School District board members, the superintendent, business manager and the solicitor for Farrell Area School District, and to the following:

Department of Education

The Honorable Charles B. Zogby, Esquire
Secretary of Education
Harristown 2, 10th floor
333 Market Street
Harrisburg, PA 17126

Governor's Office of the Budget

William A. Hardenstine, Jr., Comptroller
Labor, Education and Community Services
1012 Labor & Industry Building
Harrisburg, PA 17120

State Ethics Commission

John J. Contino, Executive Director
Room 309 Finance Building
Harrisburg, PA 17120

This report is a matter of public record. Copies may be obtained from the Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120 and from the Auditor General Web Site:
www.auditorgen.state.pa.us.